Cash Management

Wachovia, Citibank, Chemical top cash survey

By Richard J. Gillespie

Wachovia Bank & Trust Co., Citibank and Chemical Bank were rated highest among 18 banks ranked by cash managers in the 1985 corporate banking survey.

The survey, *Pensions & Investment Age*'s fifth, attempts to identify those banks that provide the highest quality cash management services to corporate clients.

Cash managers who are members of 34 regional cash management associations nationwide were asked to identify those banks they use for cash management services, and then to rate them on a seven-point scale on each of 28 aspects subdivided into three service categories: lockboxing, disbursement and concentration.

Only those banks that received ratings from at least seven cash managers in each of the three service categories were included in the final analysis.

As a result, only 17 of the original 35 banks listed on the questionnaires were rated on any of the three services. All the banks that were rated must be considered leading service providers, and all were found to offer an above-average standard of service.

On the seven-point scale, one is "excellent" and seven is "poor."

Lockboxing

Wachovia Bank & Trust, Winston-Salem N.C., was awarded the highest average ratings on the 10 lockbox bank factors, receiving an average score of 2.15, while the runner-up, Continental Illinois National Bank & Trust Co. of Chicago was scored 2.58 and third-rated The Northern Trust Bank, Chicago, came in with 2.74.

• The 10 respondents who evaluated Wachovia's lockbox services rated it among the top three institutions on every one of the 10 factors.

Wachovia was rated first for the timeliness of its balance reports, the accuracy and timeliness of its check processing operations, its pricing, the speed of its error correction and the courtesy of its staff, and for its lockbox operations overall.

The bank was rated runner-up for the accuracy of its balance reports (to Continental Illinois) and for the compatibility of its electronic data processing systems, although it was rated third for its data processing technology.

Also among the lockbox bank scores, Security Pacific National Bank, Los Angeles, was rated highest on data processing technology, and also was runner-up to Continental Illinois on the compatibility of its electronic systems.

• Continental Illinois was rated highly on lockbox services, although it received an insufficient response to be evaluated as either a disbursement or concentration bank.

Cash managers, who had evidently remained loyal to Continental throughout a troubled 1984, rated it highly for both the accuracy and timeliness of its balance reports and their compatibility with its electronic data processing systems.

To a lesser extent, cash managers admired the accuracy of its check processing operations, its pricing structure and data processing technology.

• Northern Trust was voted among the top-rated lockbox banks for the timeliness of its balance reporting, and also was cited among the top three banks for its accuracy in balance reporting, its data processing technology (although not on compatibility) and the courtesy of its staff.

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Payden & Rygel index of short maturities assets*
(for month ending July 31, 1985)

	July 1985	Quarter ending 6/30/85	Year to date	12 months ending 7/31/85	Yield level monthly change*
	Unannualized total returns				
90 Day					
U.S. Treasury Bill	0.5306	2.2663	4.9260	9.9648	+45
Domestic C.D.	0.5983	2.3003	5.0377	10.3252	+32
Euro $ C.D.	0.6186	2.3448	5.1373	10.5669	+30
180 Day					
U.S. Treasury Bill	0.4348	2.8466	5.4328	11.4564	+45
Domestic C.D.	0.4840	2.7266	5.2429	11.4285	+41
Euro $ C.D.	0.4597	2.7915	5.3860	11.6443	+50
1 Year					
U.S. Treasury Note	0.2996	3.7860	6.2699	13.7885	+41
2 Year					
U.S. Treasury Note	0.1499	5.5572	7.6455	17.9481	+34

*Figures are unannualized total returns. Year-to-date and 12 month figures linked monthly. 90 and 180 Day Treasury Bill yield level changes on discount basis.

*Basis points.

Source: Payden & Rygel, Los Angeles, California 90017

In the future, the Payden & Rygel index of short maturity assets will be published in unannualized figures to reflect industry practice. The indexes chart total returns on cash investments and illustrate the difference between these and simple yields. For July, yields on 90-day U.S. Treasury bills rose 45 basis points. A 90-day bill purchased July 1, therefore, would have returned 0.531% if sold at month-end.

Peso payments risky

By Fred Williams

EL PASO, Texas — Despite efforts by the Mexican government to shore up the ailing peso, the currency has weakened and created considerable uncertainty on the foreign exchange market, making payments and collections in Mexico more risky for U.S. companies.

The Mexican government cut the peso free from its fixed exchange rate in July, allowing the once stable currency to seek its own level against the dollar. The peso began its decline in mid-May when it stood at 250 to the dollar, dropped to more than 300 in June and stand at almost 350 now.

Cash managers and businessmen who do business in Mexico are watching the peso closely and might find themselves facing several additional weeks tacked on to their receivables because of the devaluation's side effects, including a shortage of dollars.

The July devaluation was the third since 1982 and is one part of a reform package intended to stabilize the peso, cut spending and stem the flow of money out of the country.

"If you do business in Mexico and stipulate that you want your money in dollars, be prepared for a wait," warned Henry King, coordinator of the Small Business Institute and assistant director of the Bureau of Business and Economic Research at the University of Texas at El Paso.

He said the wait can be as long as "three to four weeks," but U.S. companies "can get paid almost immediately in pesos."

One of the keys to doing business in Mexico is to concentrate cash as quickly as possible said Mr. King, a sentiment echoed by other foreign exchange experts.

"The risk you take is, if you get paid in pesos you have got to get to the bank and exchange them for dollars. If you hold pesos and the value drops another 10%, then you are just out of luck. People who do

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Pensions & Investment Age's

Outstanding Cash Management Banks

Lockbox banks:
Composite lockbox score*

	Mean	N
For entire sample	2.8749	
Wachovia	2.1500	–10
Continental	2.5857	–14
Northern Trust	2.7400	–15
1st Interstate Calif.	2.8333	– 9
Bank of America	3.0000	–16
Security Pacific	3.0429	– 7
Mellon	3.0529	–17
InterFirst-Dallas	3.1429	– 7
C&S Atlanta	3.2000	–11
Republic Dallas	3.2214	–14
FNB Chicago	3.2824	–17
FNB Atlanta	3.4571	– 7

Total number of cases for computing sample statistics = 179

Disbursement banks:
Composite disbursement score*

	Mean	N
For entire sample	2.8644	
Citibank	2.2118	–17
Wachovia	2.3267	–15
NCB Cleveland	2.6111	– 9
Norwest	2.8286	– 7
Bank of America	2.9250	– 8
Chemical	2.9571	– 7
Chase	3.0900	–10
Mellon	3.5909	–11

Total number of cases for computing sample statistics = 118

Concentration banks:
Composite concentration score*

	Mean	N
For entire sample	2.8021	
Chemical	2.5278	– 9
Citibank	2.6354	–12
Chase	2.7083	–15
Mellon	2.9559	–17
Bank of America	3.1705	–11
1st Bank of Minneapolis	3.6786	– 7

Total number of cases for computing sample statistics = 108

* Average of 10 items.

Statistics for the entire sample are based on responses for all 21 banks eligible for further analysis. Responses are reported only for banks rated on concentration by seven or more respondents.

Cash survey . . .

Continued from page 13

Out West, the most highly rated bank on the lockbox composite was First Interstate Bank, Los Angeles, which ranked fourth, and was followed up by Bank of America, San Francisco, and Security Pacific.

For lockboxing, InterFirst Bank Dallas was runner-up for timeliness of balance reports and check processing operations, in pricing and in staff courtesy.

But InterFirst Dallas was found to be only "good" on the accuracy of balance reports and on compatibility of electronic data processing systems, and was only rated "above average" on accuracy of processing, speed of error correction and overall lockbox evaluation.

It was rated slightly better than "above average" for the excellence of its data processing technology.

The entire lockbox bank sample returned a mean score of 2.87, which indicates cash managers rated their lockbox services in general as better than "good," but not "very good."

The survey, therefore, revealed a very high degree of satisfaction among cash managers with the operations of their lockbox banks. Even the lowest-rated bank in the group, First National Bank of Atlanta, received 3.46, where four is "above average" and three is "good."

Disbursement

Among the eight disbursement banks, Citibank, New York, received the highest ratings from seven respondents, who scored it an average of 2.21 on 10 factors. Wachovia was runner-up with 2.33 and National City Bank of Cleveland rated third with 2.61. The mean score for the entire sample being 2.87.

• Seventeen respondents awarded Citibank the highest disbursement ratings overall for the accuracy and timeliness of balance reports and for the excellence as well as compatibility of its data processing technology.

In the disbursement service category, Citibank placed second to Wachovia for accuracy in check processing, speed of error correction, and also placed second to Norwest Banks, Minneapolis, on its "actual vs. promised ability to generate float."

However, Citibank's disbursement staff was rated third (with National City Bank of Cleveland) for courtesy with 2.12, behind Wachovia at 1.6 and Norwest at 1.86.

Citibank was not rated on its lockbox services. This was the first year in which Citibank was named among the top-rated banks, and it also was the first year in which the survey was broken out into the three service categories.

• Wachovia, which was runner-up for disbursement services, was admired for the same services for which it picked up high scores in its lockboxing activities. It was rated highest for disbursement services in an overall evaluation question, but the question was discounted by the better statistical accuracy of the composite scores.

• The third-rated disbursement bank, National City Bank in Cleveland, was scored highest for its pricing and was runner-up on the timeliness of its balance reports and speed of error correction.

Concentration

Chemical Bank was rated highest among six concentration banks with an average score of 2.53 for the eight factors. The runner-up for concentration services, Citibank, received 2.64, Chase Manhattan Bank, New York, was third-rated with 2.71, and the mean score was 2.8.

• Nine respondents rated Chemical highest on both the accuracy and timeliness of its balance reports, the accuracy of its check processing and the speed of its error correction. Cash managers also rated Chemical runner-up to Citibank for its pricing structure.

Interestingly, when asked what overall score they would award Chemical for its concentration services, the managers gave it a 2.78, placing it fourth behind Mellon Bank and Chase, both with 2.53, and Citibank, with 2.58.

But according to Gregory M. Herek, a statistical consultant who collated the results, Chemical won out because the composite scores had higher statistical credibility than the overall service category scores.

In general, the survey response was poor with only about 12% of cash managers returning questionnaires. As a result, there were insufficient returns to rate more banks on each of the categories (*see story on page 16*).

Statistically, the composite scores on each of the three services hold more validity than the overall scores awarded each bank on the 28 service factors. A measure used to check the internal consistency of the composite scores, coefficient *alpha*, indicated a high degree intercorrelation among the scores.

While a sufficient number of scores were only received for 18 banks to facilitate rating on each of the three service categories; a final overall rating was required of cash managers to cover all the bank's cash management services.

With this final rating, a total of 21 banks were rated by at least seven respondents.

The three added banks, NCNB National Bank of North Carolina, Charlotte; Harris Bank, Chicago; and Pittsburgh National Bank, were rated only on their overall cash management services, but the response indicated cash managers give them high ratings for cash management services at 2.14, 2.71 and 2.71 respectively.

For cash management services overall, NCNB North Carolina placed second behind Wachovia, and Harris Trust and Pittsburgh National tied for fifth position behind Chase and Citibank, respectively.

All 21 banks were found to offer above-average services.

Another notable feature of the 1985 survey was the absence of Mellon Bank, Pittsburgh, from the honor roll. Mellon has rated highly in previous surveys, and was among the top four in last year's survey, along with Wachovia, NCNB North Carolina and Pittsburgh National.

While Mellon generally was scored "average" and "above average," it received a wider variation of scores than other banks, where a top-rated bank must consistently rate above average to excellent.

When asked to rate banks on overall concentration services, the cash managers rated Mellon Bank the foremost concentration bank.

But when asked to rate Mellon on each of the 10 concentration categories, it consistently received mediocre ratings except on speed of error correction (where it rated runner-up with 3.24), and for compatibility of electronic data processing systems, where it rated runner-up behind Citibank.

"With Mellon, there were people who were satisfied with it, as with other banks, but there were more people who were dissatisfied, and they pulled down its average scores," said Mr. Herek.

The discrepancy between Mellon's composite scores and its overall ratings might have been based on Mellon's reputation for excellence, rather than their actual experience, he said.

"They may have been revealing their perceptions of Mellon based largely on its reputation," Mr. Herek said. "However, when they rated Mellon for the services they actually received, they were less favorable," he said. ■

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Specific services were rated

Cash managers' survey changed

NEW YORK — The 1985 survey of corporate cash managers' attitudes toward cash management banks was unlike the previous four surveys in several respects.

• The survey questionnaires were distributed by the heads of 34 regional cash management associations.

In previous surveys, questionnaires had been sent directly to cash managers with the largest 2,000 industrial corporations.

The new technique enabled the survey questionnaires to reach what is believed to be a more informed group of industry members that includes cash managers with financial services companies as well as cash managers from industrial concerns.

Also, cash managers who are members of regional associations and therefore more active within the industry might be expected to be more committed and to the field and also more knowledgeable about it.

• The banks were rated for their lockboxing, disbursement and concentration services, not just on their cash management services overall.

It is estimated that only 12% of the 1,300 questionnaires sent out were returned. As a result, the survey findings can be applied only to the members who took part, and cannot be generalized to the industry as a whole.

Also, while 35 banks were listed on questionnaires for rating, the response for 17 of the banks was not sufficient for any kind of reliable statistical analysis. Three of the 17 delisted banks did receive the minimum number of seven responses necessary to be rated for cash management services on an overall basis (*see accompanying article*).

The distribution of the respondents was analyzed on four variables by a statistical consultant, Gregory M. Herek.

The distribution of sales sizes of the companies in the sample differed from the distribution of the sales sizes of the Fortune 2,000 corporations. Small companies (less than $250 million in sales) were found to be underrepresented, and sales size catogories more than $500 million were overrepresented.

However, sales size in itself was found to have no influence on the cash managers' ratings of banks.

• The geographic distribution of the sample differed from that of the Fortune 2,000 corporations. There was an underrepresentation of corporations in the South, Southeast and West, and an overrepresentation in the Northeast.

While this bias in geographic distribution was not found to affect the ratings for lockbox services, cash managers from the West tended to rate their disbursement and concentration banks more harshly.

• There was a relationship between the ratings a bank received and the percentage of services that a cash manager routed through it.

"This can be interpreted to mean that cash managers like a bank the more they use it," Mr. Herek said. "Aiternatively, it may be that cash managers route less of their business through banks that they perceive as providing inadequate services."

• The total number of banks used for a service was found to influence the results, with cash managers using greater numbers of banks being more likely to rate their banks more harshly.

Again, scores for lockboxing were not affected. Disbursement and concentration banks were scored less favorably by cash managers with corporations that used more banks.

"This may be because banks are better able to meet the needs of small companies, or because cash managers at large companies are harder to please, perhaps because they deal with more banks and have a broader base for comparison," said Mr. Herek.

In summary, lockbox ratings were not affected by any of the four variables. Ratings for concentration and disbursement services tended to be less positive from companies using a large number of banks and from companies in the West.

"This does not invalidate the survey, but it means more care must be exercised in generalizing the results," Mr. Herek said.

"If more corporations had responded, especially those in the South and West, the evaluations might have differed from those reported here." He added more banks also probably would have been included in the analysis.

"Rather than reflecting the sentiments of U.S. cash managers, therefore, the results can best be understood as answering the question: What do these 154 respondents think about the banks they currently use for cash management services," he concluded. ■

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ASB Capital president leaves firm

WASHINGTON — Michael B. Miller, president and chief investment officer of ASB Capital Management Inc., Washington, a unit of American Security Bank, has resigned.

ASB has $3 billion in tax-exempt assets under management, according to a recent survey by *Pensions & Investment Age*.

Mr. Miller said he left because of "substantial differences of opinion" on ASB's direction.

His plans are undecided.

The bank has decided to split Mr. Miller's position into two jobs, and is now seeking to hire a chief administrative officer to manage the unit, as well as a new chief investment officer to oversee equity strategies, according to Howard E.N. Wilson, vice president.

Eugene Mulligan remains in charge of the unit's fixed-income department.

The bank unit's equity performance has lagged in recent periods.

Its equity fund — a growth stock fund — had a -2.3% rate of return in 1984, placing it in the ninth decile in Pensions & Investments' Performance Evaluation Report.

In the first quarter of 1985, the equity fund had an 8.1% return, placing it in the seventh decile of PIPER.

However, growth funds have lagged of late.

Mr. Miller observed the equity fund still performed in the top third of all growth funds.

In addition, the fixed-income, international and special equity funds have performed strongly, he noted.

Of those, the fixed income funds have by the far the strongest performance, according to PIPER, ranking in the first decile in most periods dating back to January 1976. ■

Cash management addendum

The following listing is an addendum to the July 22 directory of cash management services. These U.S. cash management banks were omitted inadvertently.

Atlantic National Bank of Florida

200 W. Forsyth St., Jacksonville, Fla. 32202; (904) 632-6695

C.M. professionals: 10

Product line: Lockboxing, wholesale and automated retail with alternative sites in Florida; controlled disbursement with two different Florida locations; terminal-based communications services include terminal-initiated ACH payments; ACH services include DTCs, direct deposit and corporate trade payments; international services include letters of credit, documentary collections and foreign exchange trades; consulting services include manual lockbox and disbursement studies; investment services include sweep accounts.

Other services include zero balance accounts, payable thru drafts, account reconciliation, pre-authorized ACH debits and freight payments.

Contact: Mary Robbins.

Bankers Trust Co. Global Operations & Information Services Department

Bankers Trust Plaza, 130 Liberty St., New York, N.Y. 10005; (212) 618-2046

Product line: Lockbox, automated retail and automated wholesale, alternative site in Newark; controlled disbursement with alternative site in Delaware; terminal-based communications include terminal-initiated wire transfers, commercial paper, stop payments and ACH transactions; ACH services include DTCs, direct deposit and corporate trade payments; international services include letters of credit, documentary collections, foreign exchange trades; consulting services include lockbox and disbursement studies and other consulting; investment services include sweeps; other services include zero-balance accounts, payable through drafts, account reconciliation and treasury workstation. The bank provides pre-authorized debits and weekend ACH concentration.

Contact: A.T. Bellino, senior v.p., domestic sales.

Bank of Oklahoma

P.O. Box 2300, Tulsa, Okla. 74192; (918) 588-6548

Fortune 1000 clients: 150

Product line: Lockbox, manual wholesale; controlled disbursement with some delayed funding and two points; terminal-based balance reporting, terminal-based wire transfers and ACH; ACH direct deposit and corporate trade payments; international with letters of credit; documentary collections; foreign trading and advice; sweeps and separate cash portfolio management.

Other services are zero balance accounts; payable thru drafts; account reconciliation; pre-authorized debits; weekend ACH; treasury workstation; sweeps to loan account; share drafts.

Contact: Frank J. Kobes, v.p.

Barnett Banks of Florida

100 Laura St., Jacksonville, Fla. 32231; (904) 791-7500

C.M. professionals: 25
Fortune 1000 clients: 63

Product line: Lockboxing includes retail and automated wholesale, with alternative stand-alone sites in Florida; controlled disbursement, with three alternative presentment points; terminal-based communications services include terminal-initiated wire transfers, stop payments and ACH transactions; international services include letters of credit, documentary collections and foreign exchange trades; consulting services include lockbox and disbursement studies and stand-alone consulting group; investment management services include sweep accounts.

Other services include zero balance accounts, payable thru drafts, account reconciliation and treasury workstation.

Contact: Janene Silver, v.p.

Citizens and Southern National Bank of South Carolina

P.O. Box 22000, Columbia, S.C. 29222; (803) 765-8588

Product line: Lockboxing, retail and wholesale (both manual and automated); controlled disbursement with five presentment points; terminal-based balance reporting (now being installed); ACH services include electronic DTCs, direct deposit; international services include letters of credit, documentary collections, foreign exchange trading and advisory; consulting services include lockbox and disbursement studies and cash flow studies.

Other services include zero balance accounts, payable thru drafts, account reconciliation and pre-authorized ACH debits.

Contact: Kenneth L. Richey, v.p.

City National Bank of Baton Rouge

P.O. Drawer 1231, Baton Rouge, La. 70821; (504) 377-8406

Product line: Lockboxing, automated retail and manual wholesale; controlled disbursement with delayed funding; terminal-based balance reporting (1Q '86) with terminal-initiated wire transfers and ACH; direct deposit and corporate trade payments; letters of credit, documentary collections, foreign exchange trading and advice. Other services include zero balance accounts, payable thru drafts, account reconciliation, pre-authorized debits and treasury workstation (1Q '86).

Contact: Jean Lastrapes, v.p.

Commerce Union Bank

One Commerce Place, Nashville, Tenn. 37219; (615) 749-3467

Fortune 1000 clients: 15

Product line: Lockboxing, manual wholesale; controlled disbursement with delayed funding and six presentment points; terminal-based balance reporting with [illegible] wire transfers, letters [illegible] ments and ACH transa[illegible]es include electronic [illegible] and corporate trade [illegible] national services inclu[illegible] of credit, documentary collections, foreign exchange trading and advisory; consulting services include lockbox and disbursement studies and cash forecasting; investment management services include automated sweeps.

Other services include zero balance accounts, payable thru drafts, account reconciliation, pre-authorized debits and treasury workstation.

Contact: Larry Cohan, v.p.

Crocker Bank

1 Montgomery, West Tower, San Francisco, Calif. 94104; (415) 983-3252

C.M. professionals: 50

Product line: Lockboxing, medium-volume retail and automated wholesale with alternative sites in northern and southern California; controlled disbursement with delayed funding; terminal-based communications with terminal-initiated wire transfers and ACH transactions; ACH services include electronic depository transfer checks, direct deposit, and corporate trade payments; international services include letters of credit, documentary collections and foreign exchange trades; consulting services include lockbox and disbursement studies, and stand-alone consulting group; cash investment separate account management; zero balance accounts; payable thru drafts, account reconciliation; treasury workstations; pre-authorized ACH debits.

Other services include credit depository transfer checks through the automated clearing house.

Contact: Dan Peterson, v.p.

Cullen Bank

P.O. Box 1315, Houston, Texas 77251; (713) 652-7600

Product line: Lockboxing, retail and wholesale with 12 sites and mail intercept in Dallas; controlled disbursement with some delayed funding; terminal-based balance reporting with terminal-initiated wire transfers, stop payments and ACH; direct deposit and corporate trade payments; letters of credit, documentary collections and foreign exchange advisory; cash management systems consulting; sweeps and separate account management.

Other services include zero balance accounts, payable thru drafts, account reconciliation, pre-authorized debits and treasury workstation.

Contact: Cash management department.

First of America Bank — Detroit

645 Griswold, Detroit, Mich. 48226; (313) 965-1900

Product line: Lockboxing, retail and wholesale (both manual and automated); controlled disbursement; ACH services include electronic DTCs, direct deposit and corporate trade payments; international services include letters of credit and a Canadian lockbox site (Windsor, Ontario); sweep accounts. Other services include zero balance accounts, payable thru drafts, account reconciliation and pre-authorized ACH debits.

Contact: Harold A. Cunningham, v.p.

First Bank Minneapolis

First Bank Place, Minneapolis, Minn., 55480; (612) 370-4983

C.M. professionals: 35

Product line: Lockboxing includes both retail and wholesale with an alternative site in Milwaukee; controlled disbursement is offered, also with delayed funding. Terminal-based communications services include terminal-initiated wire transfers, stop payments and ACH transactions. ACH services include electronic DTCs, direct deposit and corporate trade payments. International services include letters of credit, documentary collections, overseas lockbox collections (London) and foreign exchange trading. Consulting services include lockbox and disbursement studies; investment management services include sweep accounts and separate account management. Other services include zero-balance accounts, payable thru drafts, account reconciliation, a treasury workstation (Capital Systems Group), and preauthorized debits through the ACH.

Contact: Louise M. Miner, v.p. and manager.

First Bank St. Paul

332 Minnesota St., St. Paul, Minn. 55101; (612) 370-4983

C.M. professionals: 17

Product line: Lockboxing includes both retail and wholesale with an alternative site in Milwaukee; controlled disbursement, also with delayed funding, terminal-based communications services include terminal-initiated wire transfers and ACH transactions; ACH services include electronic DTCs, direct deposit and corporate trade payments; international services include letters of credit, documentary collections, overseas lockbox collections (London) and foreign exchange trading; consulting services include lockbox and disbursement studies; investment management services include sweep accounts and separate account management.

Other services include zero balance accounts, payable thru drafts, account reconciliation and a treasury workstation (Capital Systems Group). Also pre-authorized debits through the ACH.

Contact: Louise M. Miner, v.p. and manager.

First City National Bank of Houston

P.O. Box 2557, Houston, Texas 77252; (713) 658-5077

Fortune 1000 clients: 600

Product line: Lockbox, retail and wholesale (image processing equipment in Houston and Dallas, automatic retail in Austin, manual in El Paso); controlled disbursement with delayed funding and multiple points; terminal-based balance reports (current day balance and detail transaction reporting) with terminal-initiated wire transfers; stop payments and ACH; ACH with direct deposit and corporate trade payments (credits and debits), also extended evening deadlines; international with letters of credit, documentary collections, lockbox in London, foreign trading and advice.

Other services include zero balance accounts; automatic payable thru drafts; account reconciliation; treasury workstation; pre-authorized debits and weekend ACH.

Contact: Phil Able, v.p.

First Interstate Bank of Arizona

114 W. Adams, Phoenix, Ariz. 85036; (602) 271-1296

C.M. professionals: 12

Product line: Lockboxing, both retail and automated wholesale with alternative sites throughout the West and mail intercept facility; terminal-based communications services include terminal-inititated wire transfers; ACH services include electronic DTCs, direct deposit and corporate trade payments; international services include letters of credit, documentary collections, overseas lockbox collections, foreign exchange trading and advisory. Other services include zero balance accounts, payable thru drafts, account reconciliation and treasury workstation (ADS Associates). Also pre-authorized debits through the ACH.

Contact: Wilbur J. Brown, v.p.

First Tennessee Bank

P.O. Box 84, Memphis, Tenn. 38101; (901) 523-4113

Fortune 1000 clients: 190

Product line: Lockboxing, both automated retail and wholesale; controlled disbursement; terminal-based balance reporting; electronic depository transfer checks; direct deposit; letters of credit; lockbox consulting studies; other consulting services; sweep accounts; zero balance accounts; payable thru drafts; account reconciliation; treasury workstations; pre-authorized automated clearing house debits; week-end concentration; SWIFT.

Contact: John C. Young, v.p.

First National Bank of Cincinnati

425 Walnut St., Cincinnati, Ohio 45202; (513) 632-4017

Fortune 1000 clients: 50

Product line: Lockboxing, manual wholesale with mail intercept; controlled disbursement with delayed funding and two presentment points; terminal-based balance reporting; ACH services include electronic DTCs, direct deposit and corporate trade payments; international services include letters of credit, documentary collections, foreign exchange trading and advisory; lockbox and disbursement studies; account sweeps.

Other services include zero balance accounts, payable thru drafts, account reconciliation and pre-authorized debits.

Contact: James C. Rolfes, v.p.

First National Bank & Trust Co. of Oklahoma City

Box 25189, Oklahoma City, Okla. 73125; (405) 272-4962

Product line: Lockbox, manual wholesale and automatic retail; controlled disbursement with some delayed funding and four in-state points; terminal-based balance reports with terminal-initiated ACH; ACH with direct deposit and corporate trade payments; international with letters of credit and documentary collections; accounts payable consulting; sweeps and separate cash portfolio management. Other services include zero balance accounts; payable thru drafts; account reconciliation; treasury workstations; pre-authorized debits and weekend ACH.

Contact: Mr. Horn.

First National Bank & Trust Co. of Tulsa

P.O. Box 1, Tulsa, Okla. 74193; (918) 586-5836

Product line: Lockbox retail and wholesale; controlled disbursement with some delayed funding and two in-state points; terminal-based balance reporting; terminal-based ACH (1Q '86); ACH direct deposit and corporate trade payments; cashflow consulting; sweeps.

Other services include zero balance accounts; payable thru drafts; account reconciliation; pre-authorized debits and weekend ACH.

Contact: Jean Nelson, corporate cash management.

Hibernia National Bank in New Orleans

313 Carondelet St., New Orleans, La. 70130; (504) 586-5437

Product line: Lockboxing, manual wholesale; controlled disbursement; terminal-based balance reporting; ACH services include electronic DTCs and direct deposit; international services include letters of credit and documentary collections; consulting services include lockbox and disbursement studies.

Other services include zero balance accounts, payable thru drafts, account reconciliation and pre-authorized debits.

Contact: Pierre F. Olivier, assistant operations officer.

Interfirst Bank Dallas

1401 Elm St., Dallas, Texas 75283; (214) 977-4025

C.M. professionals: 27
Fortune 1000 clients: 275

Product line: Lockboxing includes wholesale (both automated and manual) and automated retail, with alternative site in Houston; controlled disbursement with 10 presentment points in Texas and delayed funding; terminal-initiated wire transfers, and terminal-initiated ACH; electronic DTCs, direct deposit and corporate trade payments; international services include letters of credit, documentary collections, foreign exchange trading and advisory; consulting services include lockbox and disbursement studies. Other services include zero balance accounts, payable thru drafts, account reconciliation, pre-authorized ACH debits and weekend concentration.

Contact: Zackie Wisdom, senior v.p.

Marquette Bank Minneapolis

6th & Marquette Ave., Minneapolis, Minn. 55480; (612) 341-5640

Product line: Lockboxing, manual wholesale; controlled disbursement with delayed funding; terminal-based balance reporting (1Q '86) with terminal-initiated ACH and stop payments; direct deposit and corporate trade payments; letters of credit; cash management systems consulting; sweeps and separate account management. Other services include zero balance accounts, account reconciliation, pre-authorized debits and weekend funds (4Q '85).

Contact: Reid Evenson, asst. v.p.

MBank Houston

P.O. Box 2629, Houston, Texas 77252; (713) 751-6403

C.M. professionals: 12
Fortune 1000 clients: 210

Product line: Lockboxing, both wholesale and retail (automated in first quarter of 1986), with alternative sites in Texas; controlled disbursement with alternative sites in Texas. Terminal-based communications with terminal-initiated wire transfers; ACH services include electronic DTCs, di

rect deposit and corporate trade payments. International services include letters of credit and foreign exchange trades. Consulting services include lockbox and disbursement studies and other; investment services include sweep accounts; other services include zero balance accounts, payable thru drafts, account reconciliation and treasury workstations.

Also offered are preauthorized ACH debits; freight payments; and Petroclear service (a clearinghouse for oil companies on settlement day).

Contact: Joe A. Larson, v.p., and manager.

National City Bank

P.O. Box 5756, Cleveland, Ohio 44101; (216) 575-2417

Product line: Lockboxing, automated retail and automated wholesale with multiple sites and network (westnet); controlled disbursement with delayed funding; terminal-based balance reporting with terminal-initiated wire transfers and ACH; direct deposit and corporate trade payments; letters of credit, documentary collections and foreign exchange trading; cash management systems consulting (standalone); sweeps and separate account management.

Other services include zero balance accounts, payable thru drafts, account reconciliation, pre-authorized debits, weekend ACH, freight payments and treasury workstation.

Contact: Anne C. Hartman.

Norwest Banks

8th & Marquette Ave., Minneapolis, Minn. 55402; (612) 372-8511

Fortune 1000 clients: 500

Product line: Norwest Banks are in Minnesota, Iowa, Nebraska, North Dakota, South Dakota, Montana and Wisconsin. Lockboxing, both retail and wholesale with sites in Iowa, Minnesota and Nebraska, and also a mail intercept facility; controlled disbursement with some delayed funding and 15 disbursement points; terminal-based balance reporting with terminal-initiated wire transfers and ACH transactions. ACH services include direct deposit and corporate trade payments. International services include letters of credit, documentary collections and foreign exchange trading and advisory. Consulting services include lockbox and disbursement studies. Investment management services include automated sweeps and separate account management.

Other services include zero-balance accounts, payable thru drafts, account reconciliation, preauthorized debits and weekend funds concentration.

Contact: Richard Ferris, sales manager.

NS&T Bank

15th St. and New York Ave. N.W., Washington, D.C. 20005; (202) 879-6030

Product line: Lockboxing services include automated retail and wholesale; terminal-based communications services. ACH services include electronic DTCs (available from September), direct deposit and corporate trade payments (receive only). International services include documentary collections and foreign exchange trading. Investment services include sweep accounts and separate cash portfolio management.

Other services include zero-balance accounts, account reconciliation, and preauthorized ACH debits.

Contact: Major A. Williams Jr., v.p.

RepublicBank Dallas

P.O. Box 225961, Dallas, Texas 75265; (214) 653-6861

C.M. professionals: 30

Product line: Lockboxing includes automated wholesale and automated retail, with alternative sites (member of Imagenet); controlled disbursement with delayed funding and alternative sites in-state; terminal-based communications services include terminal-initiated wire transfers, stop payments and ACH transactions; ACH services include electronic DTCs, direct deposit and corporate trade payments; international services include letters of credit, documentary collections, and foreign exchange trading; consulting services include lockbox and disbursement studies; investment services include sweep accounts. Other services include zero balance accounts, payable thru drafts, account reconciliation, and treasury workstations (ADS Associates). Also pre-authorized ACH debits and freight payments.

Contact: Shirley J. Gilmer, v.p.

Riggs National Bank of Washington D.C.

1120 Vermont Ave. N.W., Washington, D.C. 20005; (202) 835-6312

Product line: Lockboxing, automated retail and manual wholesale; controlled disbursement; terminal-based balance reporting with terminal-initiated wire transfers and ACH; direct deposit and corporate trade payments; letters of credit, foreign exchange trading and advice; sweeps and separate account management.

Other services include zero balance accounts, payable thru drafts, account reconciliation and treasury workstation.

Contact: Howard Brooks, v.p.

Society National Bank

127 Public Square, Cleveland, Ohio 44114; (216) 622-8619

Product line: Lockboxing, automated retail and wholesale (both manual and automated); controlled disbursement with three points and delayed funding available; terminal-based balance reporting. ACH services include electronic DTCs, direct deposit and corporate trade payments (from January 1986). International services include letters of credit, documentary collections and foreign exchange trading. Consulting services include lockbox and disbursement studies. Investment management services include some automated sweeps and separate account management.

Other services include zero-balance accounts, payable thru drafts, account reconciliation and preauthorized debits.

Contact: Bruce G. Keenen, v.p. and manager.

United Virginia Bank

919 East Main St., Richmond, Va. 23219; (804) 782-7552

Product line: Lockboxing, retail and wholesale, automated and manual, with multiple sites; controlled disbursement with delayed funding; terminal-based balance reporting with terminal-initiated wire transfers and ACH; direct deposit and corporate trade payments; letters of credit, foreign exchange trades and advice; sweeps and separate account management. Other services include zero balance accounts, payable thru drafts, account reconciliation, pre-authorized debits, weekend ACH and treasury workstation.

Contact: Richard F. Smith, v.p.

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Data on 16 largest systems

Growth of pension plans projected

LONDON — Five of the world's 10 largest pension retirement systems are expected to grow faster than the United States', according to data compiled by InterSec Research Corp.

InterSec's London office has compiled the data on the world's 16 largest pension systems, according to David Booher, director.

When the project was initiated in 1981, InterSec put together two groups of business executives, one from major multinational institutions and the other from financial institutions such as Chase Manhattan Bank, Morgan Guaranty Trust Co., Credit Agricole, Country Bank and Pierson, Heldring & Pierson, he explained.

"We looked to those two groups to give us the questions they wanted answered," he said.

Since the first stage of the project was completed in mid-1983, the firm has been running hard to increase research, he said.

InterSec London's client list now includes 35 institutions, 10 of which are multinationals and 25 of which are financial, he said.

While the primary focus was on formulating a macro-view of each nation's pension system, InterSec is now moving toward surveying pension plans individually, Mr. Booher said.

Now, each volume of research data breaks out for each pension system a description of what a pension plan is for each particular nation and what laws apply.

"We are the only people in the world with English-language versions of the pension laws of the Dutch and German systems," he said.

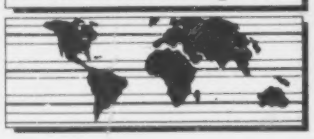
Further, information is included on which agencies supervise each nation's pension system, he said. There is data on what investment constraints face them, such as what money managers a pension fund is allowed to hire, what asset mix they can employ and possible custody arrangements available.

There is also information about what type of managers compete for business in each nation and the services they provide (i.e. balanced or specialized approaches), and what accounting and reporting requirements face pension funds in each nation.

"We also try to identify individual pension funds, their range of asset mix and their management structures," Mr. Booher said.

"We are now moving in the direction of surveying the potential for future change in the way their assets are managed."

International update



Joint owners split

HARTFORD, Conn. — As Aetna Montagu Asset Management Ltd. throws the spotlight on its global investment capability, the parent companies that formed this joint venture are parting ways, said Christian W. Thwaites, assistant vice president.

Aetna Life & Casualty Co. is now full owner of British money manager Montagu Investment Management, and its ERISA management arm, Aetna Montagu Asset Management Ltd.

Under an agreement reached last month, Midland Bank, London, which held 60% of the equity shares of merchant bankers Samuel Montagu & Co., paid Aetna Life $135 million to emerge 100% owner of the merchant bank.

In turn, Aetna Life sold Midland its 40% stake in Samuel Montagu, in return for 100% ownership of Montagu Investment Management plus cash worth $62 million, Mr. Thwaites explained.

Aetna Montagu manages about $100 million in pension assets for U.S. customers. Montagu Investment Management manages about $4.1 billion, of which about 33% is U.K. pension funds and the remainder is investment trusts, mutual funds and other corporate taxable funds.

The reason for the reshuffling the case for worldwide investment to U.S. pension sponsors.

Key Trust Co., Albany, N.Y. and Dunedin Fund Managers of Edinburgh, Scotland, have joined forces to form Key Dunedin Worldwide Investments said Henry M. Gridley, president.

Key Dunedin will offer separately managed accounts to pension funds, 401(k) plans, endowments and to high net worth individuals, he said.

Key Trust will be the investment manager for the global product, while Dunedin Fund Managers will be the adviser, Mr. Gridley added.

Key Trust manages about $400 million in pension assets for 150 clients in the United States.

Dunedin Fund Managers Ltd. manages 1 billion pounds sterling, or $1.4 billion for four investment trusts, seven unit trusts and several U.K. pension funds clients.

Among Dunedin's investment trusts is the Edinburgh Investment Trust, which is one of the largest in the United Kingdom, said Mr. Gridley.

Global firm opens

NEW YORK — A new global investment management entity has been formed and will be pitching centers around the upcoming deregulation of the U.K. financial markets, said Mr. Thwaites.

Midland Bank aims to use Samuel Montagu as a vehicle for primary bond dealing, market making and issuance, he said.

"The necessary capital requirements and evident conflict of interests with a discretionary investment management subsidiary were considered inappropriate to Aetna's and Montagu Investment Management's international strategies," he said.

Projected growth of private pension fund assets
1984 - 1990

Country	Private pension assets as of Dec. 31, 1984* (U.S. $ mil.)	% estimated growth rate per year**	Private pension assets projected for 1990 (U.S. $ mil.)
United Kingdom	$ 115,000	12	$ 225,000
Netherlands	77,000	12	150,000
Canada	65,000	12	130,000
Japan	64,000	25	245,000
Switzerland	55,000	15	125,000
Australia	25,000	20	75,000
Germany	24,000	12	45,000
South Africa	10,000	18	25,000
France	6,500	12	15,000
Rest of Non-U.S. world	53,500	25	205,000
Total Non-U.S.	495,000		1,240,000
United States	875,000	12	1,750,000
TOTAL	**$1,370,000**		**$2,990,000**

* Estimated by InterSec Research Corp.
** Assumes 5% inflation per year
Source: InterSec Research Corp., London

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*A composite of all fully discretionary tax-free funds.

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Hancock gets OK

BOSTON — John Hancock Venture Capital Management Inc., a unit of John Hancock Mutual Life Insurance Co., will be allowed to charge performance-based fees under an exemption granted by the Securities and Exchange Commission.

Hancock now is developing a venture capital limited partnership for marketing this fall, said Richard Troy, vice president. He said the company is seeking to raise $200 million to $300 million, with an initial closing Dec. 31.

It also plans to launch another timber fund. Last year's timber fund raised about $20 million, but Hancock hopes for $100 million in commitments for the new fund.

Timber prices are still weak, making it a good time to buy, Mr. Troy added: "It's funny. People want to buy stocks low but don't want to buy other things low." ■

PIPER

The statistical data are extracted from Pensions & Investments' Performance Evaluation Report, a quarterly performance evaluation published by Pensions & Investment Age. *PIPER details comparative performance data on equity and fixed-income funds at more than 200 banks and insurance companies. PIPER is compiled by Rogers, Casey & Barksdale Inc., Stamford, Conn.*

Non-cyclicals tied to higher rankings

By Chuck Paustian

The performance of stocks in interest rate-sensitive industries catapulted some commingled equity funds to higher rankings in the Pensions & Investments' Performance Evaluation Report for the second quarter of 1985.

However, the median fund in the PIPER universe was unable to beat the benchmark Standard & Poor's 500 stock index for any period surveyed.

For the quarter, the median PIPER fund returned 7.3%; the S&P 500, 7.4%. For the one-, three-, five- and 10-year periods ended June 30, the returns for the median fund and the S&P 500 were 28.8% and 31.1%; 23% and 26.1%; 16.2% and 16.6%; and 11.6% and 12.7%, respectively.

Security Pacific's Equity E fund was the top PIPER performer for the quarter, with a compound annual time weighted return of 13.9%. The fund ranked in the 10th decile for the previous quarter, with a return of 4.8%.

William H. Duncan is senior vice president and senior portfolio manager for The Pacific Century Group, San Diego, a Security Pacific Corp. subsidiary that manages the $26 million fund. He said exposure to non-cyclical companies was a big reason for the fund's turnaround.

"(The reason for the turnaround was) our exposure to growth companies with low cyclicalities. In general, they were companies with the potential for accelerated growth," said Mr. Duncan.

"We expected the economy to be on the downside in '85. In February, I reduced our exposure to companies that were dependent on the economy."

He said some of the positions reduced were in the technology and capital goods sectors of the market.

Mr. Duncan said he also was heavily weighted in the financial sector, including the stocks of insurance companies, regional banks and savings and loans. These stocks tend to perform well when interest rates fall. The portfolio also had significant exposures in the service industry.

He added many of the financial stocks that had performed well have since been sold. Some of these include **Torchmark Corp.**, **Jefferson-Pilot Corp.**, **Home Federal Savings & Loan**, and **American National Insurance Co.**

First Interstate of Nevada, Reno, ranked second during the quarter, with a return of 13.5%, followed by New England Mutual Life Insurance Co., Boston, 13.4%; Sun Banks, Orlando, Fla., 13.2%; and Summitt Trust Co., Summit, N.J., 12.5%.

Robert M. Lee, president of First Interstate Investment Advisors, Las Vegas, Nev., said the improved performance of the $11 million Employee Benefit Commingled Stock Fund, which ranked seventh last quarter, was because of falling interest rates.

"The primary force behind our good performance is the decline in interest rates during the past 12 months," he said.

"Our portfolios were extremely interest sensitive. The force behind the declining interest rates was the slowing of the economy."

Mr. Lee said the disciplined approach used for selecting stocks looks for low price-earnings ratios, good current yields and good anticipated growth rates.

The industries with the heaviest weightings in the fund's portfolio are savings and loans (**Ahmansen Corp.** and **Home Federal Savings & Loan**), utilities (**Pacific Gas & Electric Co.** and **Texas Utilities Co.**), regional banks (**Bank of New England**), defense (**Lockheed Corp.** and **McDonnell Douglas Corp.**) and airlines (**UAL Inc.**).

For the one-year period ended June 30, Sun Banks was the top performer, with a return of 52.3% for its equity fund, edging Bank of the West, San Jose, Calif., last quarter's top performer, into second with a return of 46.5%.

Anthony R. Gray, executive vice president and chief investment officer at Sun Banks, said the $64 million fund primarily is invested

Continued on page 39

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Top bond funds by size 34
Top quartile equity funds 36
Top equity funds by size 37

Life of Virginia's gamble pays off

By Alan Krauss

An unorthodox investment strategy has paid off for the commingled fixed-income fund offered by Life Insurance Co. of Virginia, Richmond, Va.

The $341 million bond fund consistently has placed in the top decile of Pensions & Investments' Performance Evaluation Report: it was the top fund for the three- and 10-year periods ended June 30, second for the five-year period, eighth for one year and 15th for the quarter.

The fund is managed by Continental Investment Advisors Ltd., which along with Life of Virginia is a subsidiary of the Continental Group. The firm uses a system of debt retirement arbitrage — actively trading sinking bonds and taking advantage of issuers' yearly obligations to repurchase a percentage of each issue in the open market.

"Our style is unique," said Charles Keller, managing director of Continental Investment Advisors. "It's an alternative to market timing ... with defensive characteristics. When interest rates go up, the (issuer) still has to come into the market and buy (to fulfill the sinking provisions). When interest rates go down, we're better off because we bought the bonds at a discount and they can rise further before hitting call price."

The top performing commingled fixed-income fund in the second quarter, according to PIPER, was the Collective Employee Benefit Fixed Income Fund offered by First Fidelity Bank, Newark, N.J., which brought investors a 13.6% time-weighted compound return on investment. The median return earned in the PIPER commingled fixed-income universe during the quarter was 7.6%, while funds in the top quartile earned 8.8% or better. The Shearson Lehman Government/Corporate bond index advanced 8.2%.

Richard Nicholson, First Fidelity senior vice president and manager of the $4.9 million fund, said that as bond yields have fallen in recent months, the fund has reached its maximum investment in the longest term bonds it buys: it now is 34% invested in securities with 10-year maturities.

"There have never been 30-year bonds in this fund," Mr. Nicholson said. "We consider one year short-term, and 10 years long-term."

Mr. Nicholson thinks interest rates are bottoming out. "There may be a little more potential on the downside, but interest rates are basically at bottom," he said, adding he expects the economy as a whole to remain strong but not sound.

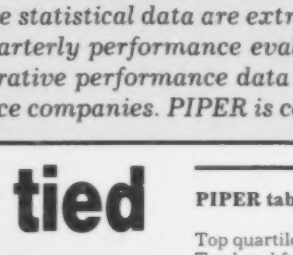
"We feel that the strength in the economy will be 'weak strength.'

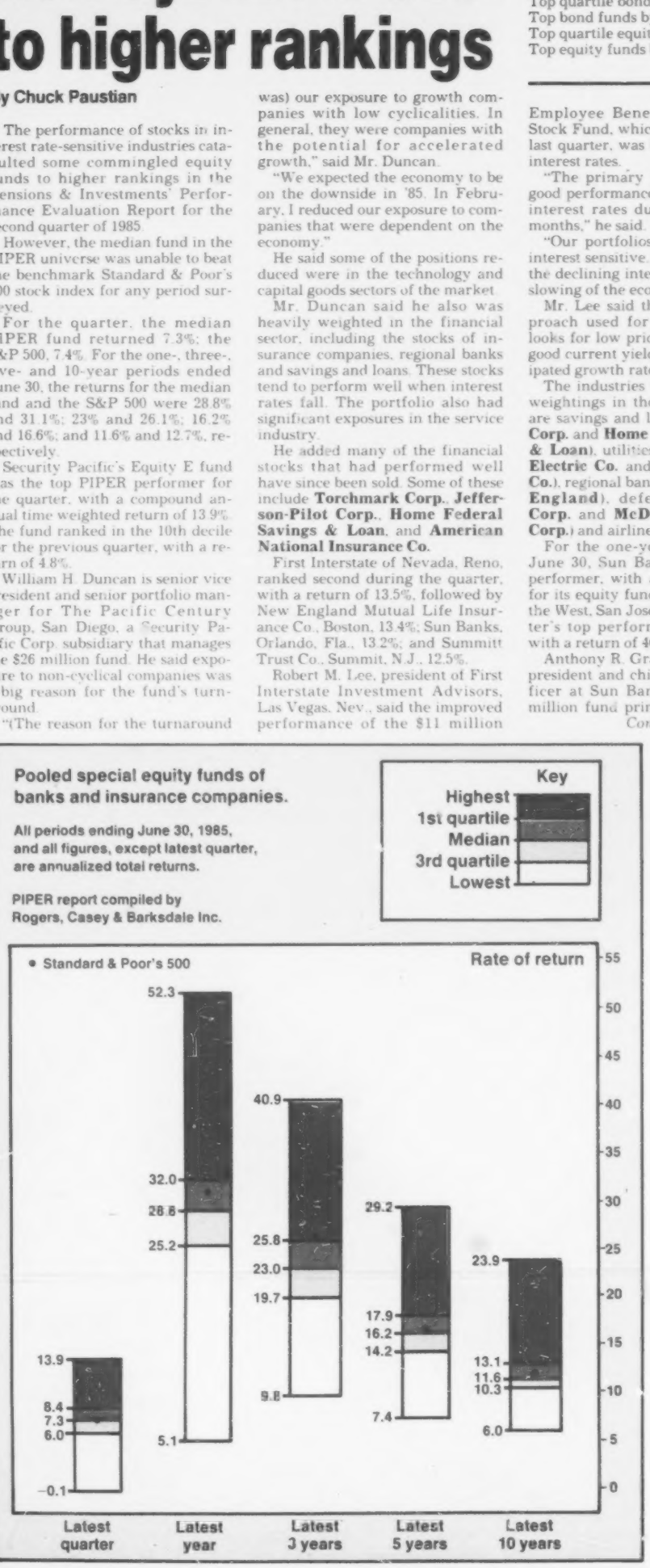
Continued on page 38

Pooled special equity funds of banks and insurance companies.

All periods ending June 30, 1985, and all figures, except latest quarter, are annualized total returns.

PIPER report compiled by Rogers, Casey & Barksdale Inc.

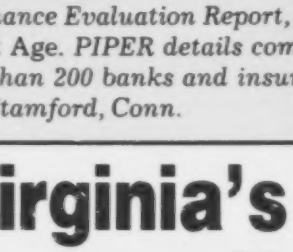


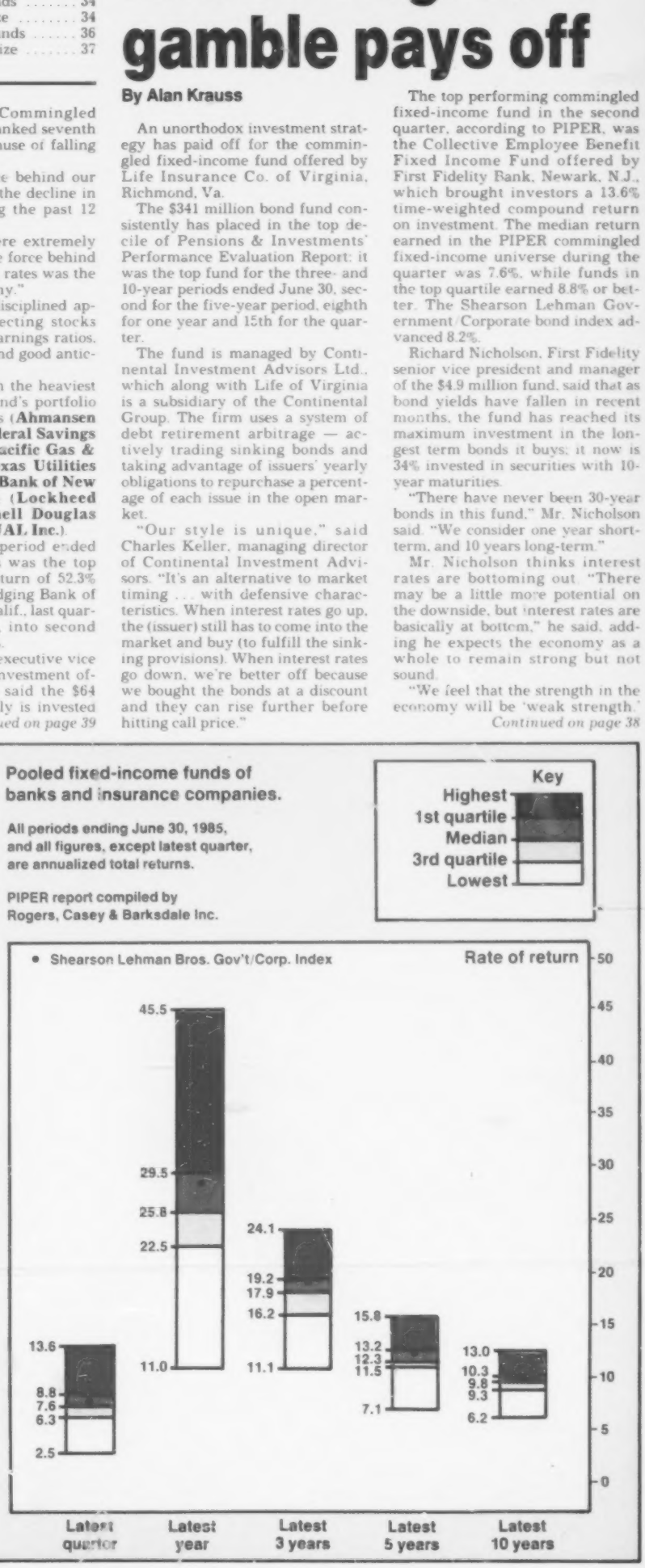


Pooled fixed-income funds of banks and insurance companies.

All periods ending June 30, 1985, and all figures, except latest quarter, are annualized total returns.

PIPER report compiled by Rogers, Casey & Barksdale Inc.





PIPER

Top quartile commingled fixed-income funds

3-month returns

	%
First Fidelity, N.J.	13.6
United of Denver	13.3
AmSouth, Ala.	13.1
First Interstate of Nevada	12.5
Centerre Trust, Mo.	12.0
Trust Svcs of Amer., Calif.	11.5
Republic National, Dallas	11.4
Manufacturers Life, Ont.	11.3
First Interstate of Denver	11.3
Travelers (Acct. P), Conn.	11.1
Connecticut National Bank	11.0
Maryland National	10.8
John Hancock, Mass.	10.8
Security Pacific (Acct. F), Calif.	10.8
Life of Virginia	10.5
Commerce Union, Tenn.	10.4
Fidelity Bank, Pa.	10.4
MBank, Austin, Texas	10.3
Minnesota Mutual (Acct. E),	10.3
Central Natl., Cleveland	10.1
Hawaiian Trust	10.1
American Security, D.C.	10.1
General American (Acct. 8), Mo.	10.0
Security Norstar Bank, N.Y.	10.0
Harris Trust, Ill.	10.0
Bankers Trust (Fund A), N.Y.	9.9
Associated Manitowoc, Wis.	9.7
Trust Co. of Georgia	9.7
First of Chicago	9.7
Fourth Natl., Wichita, Kan.	9.7
Aetna Life & Casualty (76), Conn.	9.7
Bank of California	9.6
Beacon Asset, Mass.	9.6
Metropolitan Life (No. 41), N.Y.	9.5
Fifth Third Bank, Ohio	9.5
Natl. Bank of Commerce, Neb.	9.5
First Trust Corp., Conn.	9.5
CIGNA Corp., Conn.	9.4
Bessemer Trust, N.Y.	9.3
First Wis. Natl., Madison	9.3
Natl. City, Cleveland	9.3
Connecticut National Bank	9.2
American Natl., Minn.	9.2
First Interstate of Ariz.	9.2
Comerica Bank, Mich.	9.2
Liberty Natl., Ky.	9.2
Bankers Life, Iowa	9.1
Lincoln Natl. Pens., Ind.	9.1
Key Trust Co., N.Y.	9.1
Wachovia Bank, N.C.	9.1
Morgan Guaranty, N.Y.	9.1
Northern Trust, Ill.	9.0
Bank of New York	9.0
Equitable Life (No. 5), N.Y.	9.0
Provident Natl., Pa.	9.0
Texas Commerce	9.0
Natl. Bank of Detroit	9.0
First Kentucky Trust	8.9
First City Natl., Houston	8.9
First Interstate of Calif.	8.9
Massachusetts Mutual	8.8
First of Shereveport, La.	8.8
Boatmen's Natl., Mo.	8.8
Colorado National Bank	8.8
Central Trust, Ohio	8.8
Shearson Lehman Index	**8.2**

1-year returns

	%
First Interstate of Nevada	45.5
United of Denver	43.2
Centerre Trust, Mo.	39.8
AmSouth, Ala.	37.7
Manufacturers Life, Ont.	37.5
First Interstate of Denver	37.5
Travelers (Acct. P), Conn.	37.4
Life of Virginia	35.9
Central Natl., Cleveland	35.6
Connecticut Natl. Bank	35.4
American National, Minn.	35.4
Security Pacific (F), Calif.	34.3
Trust Svcs of Amer., Calif.	34.3
Colorado Natl. Bank	34.1
Bank of California	34.0
First of Chicago	33.7
Commerce Union, Tenn.	33.7
Seafirst Bank, Wash.	33.7
American Security, D.C.	33.7
Fourth Natl., Wichita, Kan.	33.6
John Hancock, Mass.	33.1
Allied Bank, Texas	33.1
Security Pacific (V), Calif.	33.0
Lloyds Bank (C), Calif.	33.0
Republic Natl., Dallas	32.9
First Fidelity, N.J.	32.8
Central Fidelity, Va.	32.5
Comerica Bank, Mich.	32.1
Trust Co. of Georgia	32.0
IAA Trust Co. (Fund B), Ill.	32.0

Top fixed funds by size

1-year returns

Over $100 million

	%
Centerre Trust, Mo.	39.8
Life of Virginia	35.9
First of Chicago	33.7
American Security, D.C.	33.7
John Hancock, Mass.	33.1
Citicorp, N.Y.	31.3
Equitable Life, N.Y.	31.2
Wachovia Bank, N.C.	31.1
Harris Trust, Ill.	30.7
Irving Trust, N.Y.	29.9

$50 million to $100 million

	%
First Interstate of Denver	37.5
Comerica Bank, Mich.	32.1
Northern Trust, Ill.	31.4
Chemical Bank, N.Y.	30.8
Continental Illinois	30.5
Boatmen's Natl., Mo.	29.9
Bankers Life, Iowa	29.6
Bankers Trust, N.Y.	29.5
Mutual of New York	29.5
Marine Midland, N.Y.	29.4

$10 million to $50 million

	%
United of Denver	43.2
AmSouth, Ala.	37.7
Travelers, Conn.	37.4
Central Natl., Cleveland	35.6
American Natl., Minn.	35.4
Security Pacific, Calif.	34.3
Trust Svcs of Amer., Calif.	34.3
Colorado Natl. Bank	34.1
Commerce Union, Tenn.	33.7
Seafirst Bank, Wash.	33.7

Under $10 million

	%
First Interstate of Nevada	45.5
Manufacturers Life, Ont.	37.5
Connecticut Natl. Bank	35.4
Bank of California	34.0
First Fidelity, N.J.	32.8
Central Fidelity, Va.	32.5
IAA Trust Co., Ill.	32.0
Colonial Am. Natl., Va.	31.4
Beverly Bank, Ill.	31.2
Maryland National	30.7

10-year returns

Over $100 million

	%
Life of Virginia	13.0
Texas Commerce	12.0
American Security, D.C.	11.5
Manufacturers Hanover	11.2
Centerre Trust, Mo.	11.1
John Hancock, Mass.	11.0
CIGNA Corp., Conn.	10.4
Wachovia Bank, N.C.	10.1
Citicorp, N.Y.	10.1
First of Chicago	10.0

$50 million to $100 million

	%
Hibernia National, La.	11.7
Mercantile Trust, Mo.	10.9
NCNB Natl. Bank, N.C.	10.3
US Trust, N.Y.	10.2
Bankers Trust, N.Y.	10.2
American Natl., Chicago	10.1
First Interstate of Denver	10.1
Comerica Bank, Mich.	9.7
Northern Trust, Ill.	9.6
Marine Midland, N.Y.	9.6

$10 million to $50 million

	%
Pacific Mutual, Calif.	12.5
Sovran Bank, Va.	12.2
Seafirst Bank, Wash.	11.6
First Jersey Natl., N.J.	11.6
Fidelity Bank, Pa.	11.4
First Interstate of Calif.	11.4
First Fidelity Bank, N.J.	11.1
Jefferson Trust, Ill.	11.1
United of Denver	11.1
California First Bank	11.0
Commerce Union, Tenn.	11.0

Under $10 million

	%
Beverly Bank, Ill.	11.9
Central Fidelity, Va.	11.6
First Fidelity, N.J.	11.0
MBank, Austin, Texas	11.0
Penn Bank, Erie, Pa.	10.8
First of Neenah, Wis.	10.7
Oregon Bank	10.5
First in Bartlesville, Okla.	10.4
First of Neenah, Wis.	10.4
American Natl. Bank, Ind.	10.3

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CAPITAL MANAGEMENT GROUP

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*Based on Risk-Return Performance Comparisons report issued by Frank Russell Company for Investment Advisor Separate Accounts and Balanced Separate Accounts for five years ending 12-31-84.

PIPER

First Wis. Natl., Madison	32.0
Hawaiian Trust	32.0
Bessemer Trust, N.Y.	31.9
First Fidelity Bank, N.J.	31.6
First Interstate of Ariz.	31.6
First of Cincinnati, Ohio	31.5
Northern Trust, Ill.	31.4
Natl. Bank of Commerce, Neb.	31.4
Colonial Am. Natl., Va.	31.4
Citicorp, N.Y.	31.3
Connecticut Natl. Bank	31.2
Beverly Bank, Ill.	31.2
Equitable Life (No. 5), N.Y.	31.2
Wachovia Bank, N.C.	31.1
Natl. Bank of Commerce, Tenn.	31.0
First of Minneapolis	30.9
Chemical Bank (No. 1), N.Y.	30.8
Harris Trust, Ill.	30.7
Maryland National	30.7
Manufacturers Detroit	30.7
First Trust Corp., Colo.	30.6
Commerce Bank, K.C. Mo.	30.5
Continental Illinois	30.5
Mellon Bank, Pa.	30.2
Allied Bank, Texas	30.1
Boatmen's National, Mo.	29.9
Merchants National, Ala.	29.9
Irving Trust, N.Y.	29.9
Key Trust Co., N.Y.	29.9
First Interstate of Calif.	29.9
Fifth Third Bank, Ohio	29.9
Bankers Life, Iowa	29.6
First Trust St. Paul, Minn.	29.5
Bankers Trust (Fund A), N.Y.	29.5
Mutual of New York	29.5
Confederation Life, Ont.	29.5
Natl. Bank of Detroit	29.5
Shearson Lehman Index	**28.7**

3-year returns

	%
Life of Virginia	24.1
First Wis. Natl., Madison	24.0
Trust Svcs of Amer., Calif.	23.5
United of Denver	23.5
AmSouth, Ala.	23.0
First Variable Life, Ark.	22.3
First Interstate of Nevada	22.2
Central Natl., Cleveland	21.9
Central Fidelity, Va.	21.9
Colorado National Bank	21.7
John Hancock, Mass.	21.7
First Fidelity, N.J.	21.6
CIGNA Corp., Conn.	21.6
First Interstate of Denver	21.6
Centerre Trust, Mo.	21.5
First Kentucky Trust	21.4
IAA Trust Co. (Fund B), Ill.	21.4
Lloyds Bank (Fund C), Calif.	21.3
Mutual of New York	21.3
Society National, Ohio	21.2
American Security, D.C.	21.1
Citicorp, N.Y.	21.0
Wheeling Dollar Bank, W. Va.	21.0
Pacific Mutual, Calif.	21.0
First of Chicago	20.9
Connecticut National Bank	20.8
CIGNA Corp., Conn.	20.8
Security Pacific (Fund F), Calif.	20.7
Key Trust Co., N.Y.	20.7
Bank of California	20.7
California First Bank	20.6
Colonial American Natl., Va.	20.5
Allied Bank, Texas	20.5
First Interstate of Ariz.	20.4
Mutual of New York	20.3
Travelers (Acct. D), Conn.	20.3
State Street Bank, Mass.	20.3
Wachovia Bank, N.C.	20.2
Bank of New York	20.1
First Interstate of Calif.	20.1
Natl. Bank of Commerce, Neb.	20.0
Toledo Trust, Ohio	20.0
Marine Midland, N.Y.	19.9
Beverly Bank, Ill.	19.9
Merchants Natl., Ala.	19.9
Crocker Natl. (Fund R), Calif.	19.8
Irving Trust, N.Y.	19.7
Mellon Bank, Pa.	19.7
Sovran Bank, Va.	19.7
Allied Bank, Texas	19.6
American Natl., Minn.	19.6
Commerce Union, Tenn.	19.5
Liberty National, Ky.	19.5
Bankers Trust (Fund A), N.Y.	19.5
Liberty National, Okla.	19.4
MBank, Austin, Texas	19.4
Morgan Guaranty, N.Y.	19.3
Manufacturers Detroit Mich.	19.3
Natl. Bank of Commerce, Tenn.	19.3
Commonwealth Natl. (D), Pa.	19.3
First of Cincinnati	19.2
Shearson Lehman Index	**19.1**

5-year returns

	%
Sovran Bank, Va.	15.8
Life of Virginia	15.7
Fourth Natl., Wichita, Kan.	15.3
Associated Manitowoc, Wis.	15.2
Northern Central, Pa.	15.1
CIGNA Corp., Conn.	14.9
First Kentucky Trust	14.8
Cullen Bank, Texas	14.7
Allied Bank, Texas	14.6
Beverly Bank, Ill.	14.6
Centerre Trust, Mo.	14.6
Lloyds Bank (Fund C), Calif.	14.4
American Security, D.C.	14.4
First Fidelity, N.J.	14.3
First Interstate of Calif.	14.2
Marine Midland, N.Y.	14.2
Central Fidelity, Va.	14.2
First Variable Life, Ark.	14.2
Allied Bank, Texas	14.1
Commerce Union, Tenn.	14.0
Manufacturers Hanover, N.Y.	14.0
Travelers (Acct. D), Conn.	14.0
First Jersey Natl., N.J.	13.9
MBank, Austin, Texas	13.9
Crocker National (Fund R), Calif.	13.9
Mutual of New York	13.9
Trust Svcs of Amer., Calif.	13.9
United of Denver	13.8
Pacific Mutual, Calif.	13.8
First Interstate of Denver	13.8
Mellon Bank, Pa.	13.7
Connecticut National Bank	13.7
First Interstate of Ariz.	13.7
Bankers Trust (Fund A), N.Y.	13.6
Northern Trust, Ill.	13.6
Mercantile Trust, Mo.	13.6
John Hancock, Mass.	13.5
Jefferson Trust, Ill.	13.5
Toledo Trust, Ohio	13.5
Morgan Guaranty, N.Y.	13.5
IAA Trust Co. (Fund B), Ill.	13.4
First of Maryland	13.4
Penn Bank, Erie, Pa.	13.4
Mutual of New York	13.4
Bank of California	13.4
Beacon Asset, Mass.	13.4
First of Neenah, Wis.	13.3
Manufacturers Detroit	13.3
Central Trust, Ohio	13.3
American Natl. Bank, Tenn.	13.3
First Fidelity Bank, N.J.	13.3
Riggs of Washington	13.3
First of Warsaw, Ind.	13.3
American Natl., Chicago	13.3
First Natl. of Commerce, La.	13.3
Seafirst Bank, Wash.	13.3
Landmark Union Trust, Fla.	13.2
Key Trust Co., N.Y.	13.2
Bank One, Dayton	13.2
Colonial Am. Natl., Va.	13.2
United Virginia Bank	13.2
First Interstate of Wis.	13.2
First Wis. Natl., Madison	13.2
California First Bank	13.2
Shearson Lehman Index	**13.0**

10-year returns

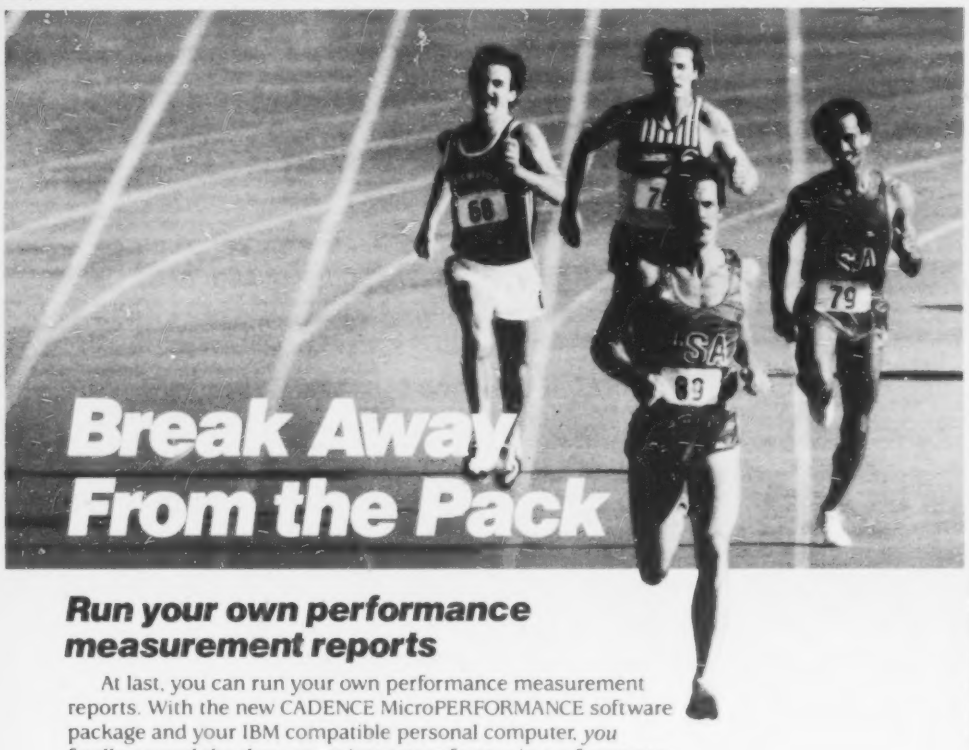
	%
Fourth Natl., Wichita, Kan.	13.0
Life of Virginia	13.0
Pacific Mutual, Calif.	12.5
Sovran Bank, Va.	12.2
Texas Commerce	12.0
Beverly Bank, Ill.	11.9
Hibernia National, La.	11.7
Seafirst Bank, Wash.	11.6
First Jersey Natl., N.J.	11.6
Central Fidelity, Va.	11.6
American Security, D.C.	11.5
Fidelity Bank, Pa.	11.4
First Interstate of Calif.	11.4
Manufacturers Hanover, N.Y.	11.2
Centerre Trust, Mo.	11.1
First Fidelity Bank, N.J.	11.1
Jefferson Trust, Ill.	11.1
United of Denver	11.1
California First Bank	11.0
First Fidelity, N.J.	11.0
MBank, Austin, Texas	11.0
John Hancock, Mass.	11.0
Commerce Union, Tenn.	11.0
First Wis. Natl., Madison	10.9
Mercantile Trust, Mo.	10.9
First Kentucky Trust	10.9
Trust Svcs of Amer., Calif.	10.8
Penn Bank, Erie, Pa.	10.8
First of Neenah, Wis.	10.7
First Interstate of Ariz.	10.7
Cullen Bank, Texas	10.7
Manufacturers Detroit, Mich.	10.7
Allied Bank, Texas	10.6
Lloyds Bank (Fund C), Calif.	10.6
American Natl. Bank, Tenn.	10.6
Toledo Trust, Ohio	10.6
AmeriTrust, Ohio	10.5
Beacon Asset, Mass.	10.5
Oregon Bank	10.5
Mellon Bank, Pa.	10.4
Indiana Natl. Bank	10.4
First in Bartlesville, Okla.	10.4
First of Neenah, Wis.	10.4
CIGNA Corp., Conn.	10.4
Allied Bank, Texas	10.4
American Natl. Bank, Ind.	10.3
Key Trust Co., N.Y.	10.3
Riggs of Washington	10.3
Crocker Natl. (Fund R), Calif.	10.3
NCNB Natl. Bank, N.C.	10.3
Shearson Lehman Index	**9.9**

PIPER

Top quartile commingled equity funds

3-month returns

	%
Security Pacific, Calif.	13.9
First Interstate of Nevada	13.5
New England Mutual, Mass.	13.4
Sun Bank, Fla.	13.2
Summit Trust Co., N.J.	12.5
Citizens Chillicothe, Mo.	12.3
California First Bank	11.2
Continental Bank, Pa.	11.0
First Kentucky Trust	10.9
First Trust Corp., Colo.	10.8
Continental Illinois	10.8
First Security Natl. Bank, Ky.	10.7
NCNB National Bank, N.C.	10.6
Merchants National, Ind.	10.5
Bank of California	10.5
Great West Life Assurance, Man.	10.5
Crocker National, Calif.	10.3
Harris Trust (Low p/e), Ill.	10.3
State Natl., Evanston, Ill.	10.0
Central Trust, Ohio	9.8
Old Kent, Mich.	9.8
Commonwealth Natl., Pa.	9.8
Manufacturers Detroit	9.7
Texas Commerce	9.7
CNA Insurance, Ill.	9.5
State Street Bank (Value I), Mass.	9.5
Boatmen's National, Mo.	9.5
National of Georgia	9.4
Hibernia National, La.	9.4
Citicorp, N.Y.	9.3
Nationwide Life Ins., Ohio	9.3
Riggs of Washington	9.2
First of Elgin, Ill.	9.2
Lincoln National, Ind.	9.2
Fidelity National, La.	9.2
American Natl.(Active) Chicago	9.1
Bank of California	9.0
Beacon Asset, Mass.	9.0
Liberty National, Ky.	9.0
Pittsburgh National, Pa.	9.0
Interfirst Invt. Mgt., Texas	9.0
First Interstate of Denver	9.0
First Jersey Natl., N.J.	8.9
US Trust, N.Y.	8.9
New Jersey National	8.9
Hawaiian Trust	8.9
American National Bank, Tenn.	8.9
Citizens Fidelity, Ky.	8.8
Barnett Banks Trust Co., Fla.	8.8
First City Natl., Houston	8.8
Mercantile Trust, Mo.	8.7
Central Penn, Pa.	8.6
Harris Trust (Common), Ill.	8.6
Mellon Bank, Pa.	8.6
American National, Minn.	8.6
First of Boston, Mass.	8.5
Boatmen's Fund, K.C. Mo.	8.5
Metropolitan Life (No. 40), N.Y.	8.5
First Interstate of Wis.	8.5
Security Norstar Bank, N.Y.	8.5
First Interstate Billings, N.Y.	8.5



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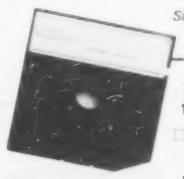

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Top equity funds by size

1-year returns

Over $100 million

	%
Manufacturers Detroit	42.8
Prudential (Priform), N.J.	39.3
Provident Natl., Pa.	38.2
Mellon Bank, Pa.	38.1
Texas Commerce	36.7
John Hancock, Mass.	35.0
MTrust, Texas	34.7
Metropolitan Life, N.Y.	34.7
Fidelity Mgmt. Trust, Mass.	34.5
AmeriTrust, Ohio	33.9

$50 million to $100 million

	%
Sun Bank, Fla.	52.3
N.Y. Life Ins. (No. 1)	41.4
First Jersey Natl.	38.9
Fidelity Bank, Pa.	38.7
Interfirst Invt. Mgmt. Texas	38.4
Centerre Trust, Mo.	36.1
Old Kent, Mich.	35.8
Comerica Bank, Mich.	34.7
Mercantile Trust, Mo.	32.6
Crocker National, Calif.	32.2

$10 million to $50 million

	%
Harris Trust (Low p/e), Ill.	44.6
First Interstate of Oregon	42.5
Bank of California	42.0
Beacon Asset, Mass.	41.9
First Trust Corp., Colo.	41.7
Summit Trust Co., N.J.	40.2
Citizens Chillicothe, Mo.	39.8
Barnett Banks Trust Co. Fla.	38.3
Continental Bank, Pa.	36.7
Guardian Insurance, N.Y.	36.6

Under $10 million

	%
Bank of the West, Calif.	46.5
First Interstate of Nevada	43.5
New Jersey National	42.4
Pioneer Bank, Ill.	39.9
Planters National, N.C.	37.8
Oregon Bank	37.5
Pittsburgh Natl., Pa.	37.3
MBank Fort Worth	36.0
First of Maryland	35.3
First of Neenah, Wis.	34.7

10-year returns

Over $100 million

	%
US Natl. of Oregon	17.5
Bankers Life, Iowa	16.7
Provident National, Pa.	16.2
Bessemer Trust, N.Y.	16.2
First Union Bank, N.C.	15.8
Aetna Life & Cas., Conn.	15.4
Massachusetts Mutual	15.4
MTrust, Texas	15.3
Manufacturers Detroit	14.7
Equitable Life (No. 4), N.Y.	14.6

$50 million to $100 million

	%
First Wis. Natl., Madison	19.2
AmSouth, Ala.	16.9
First Interstate of Denver	15.5
First Jersey National	15.0
Minnesota Mutual	13.9
Chicago Title & Trust	13.5
First Pennsylvania Bank	13.0
United Virginia Bank	12.9
Northern Trust, Ill.	12.7
First Trust, St. Paul	12.4

$10 million to $50 million

	%
Manufacturers Life, Ont.	23.9
Guardian Insurance, N.Y.	20.9
US Natl. of Galveston	18.5
Citizens Chillicothe, Mo.	18.2
First Trust Corp., Colo.	18.0
First Variable Life, Ark.	18.0
Landmark Union Trust, Fla.	16.5
First of Oklahoma	15.7
Nationwide Life Ins., Ohio	15.4
Natl. Bank of Commerce	15.2
First Interstate of Ore.	15.2

Under $10 million

	%
Confederation Life, Ont.	16.8
MBank, Fort Worth	15.1
Wheeling Dollar Bank	14.7
Pittsburgh Natl., Pa.	13.5
Union Central, Ohio	13.3
Unibanctrust, Ill.	13.3
Lake Shore Natl., Ill.	12.7
First of Kenosha, Wis.	12.6
First Natl. of Commerce, La.	12.6
First of Warsaw, Ind.	12.4
Oregon Bank	12.4

PIPER

Comerica Bank, Mich.	8.4
First Interstate of Oregon	8.4
Fidelity Bank, Pa.	8.4
New York Life Ins. (No. 1)	8.4
Northern Central, Pa.	8.4
Cullen Bank, Texas	8.4
Fifth Third Bank, Ohio	8.4
Provident National, Pa.	8.4
First Pennsylvania Bank	8.4
Prudential (Priform), N.J.	8.4
Summit Bank, Ind.	8.4
Standard & Poor's 500	**7.4**

1-year returns

	%
Sun Bank, Fla.	52.3
Bank of the West, Calif.	46.5
Harris Trust (Low p/e), Ill.	44.6
First Interstate of Nevada	43.5
State Street Bank, Mass.	43.1
Manufacturers Detroit	42.8
First Interstate of Oregon	42.5
New Jersey National	42.4
Bank of California	42.0
Beacon Asset, Mass.	41.9
First Trust Corp., Colo.	41.7
New York Life Ins. (No. 1)	41.4
Summit Trust Co., N.J.	40.2
Pioneer Bank, Ill.	39.9
Citizens Chillicothe, Mo.	39.8
Prudential (Priform), N.J.	39.3
First Jersey National, N.J.	38.9
Fidelity Bank, Pa.	38.7
Interfirst Invt. Mgmt., Texas	38.4
Barnett Banks Trust Co., Fla.	38.3
Provident National, Pa.	38.2
Mellon Bank, Pa.	38.1
Planters National, N.C.	37.8
Oregon Bank	37.5
Pittsburgh Natl., Pa.	37.3
Republic Natl., Dallas	37.2
Texas Commerce	36.7
Continental Bank, Pa.	36.7
Guardian Insurance, N.Y.	36.6
Pittsburgh National, Pa.	36.2
Centerre Trust, Mo.	36.1
MBank, Fort Worth	36.0
Old Kent, Mich.	35.8
Riggs of Washington	35.7
Trust Svcs of America, Calif.	35.5
Great West Life, Man.	35.4
First of Maryland	35.3
John Hancock (1L), Mass.	35.0
Harris Trust, Ill.	34.9
First of Neenah, Wis.	34.7
State National Evanston	34.7
Comerica Bank, Mich.	34.7
MTrust, Texas	34.7
Met Life (No. 40), N.Y.	34.7
Fidelity Mgmt. Trust, Mass.	34.5
Southeast Bank, Fla.	34.4
American National, Minn.	34.2
Nationwide Life Ins., Ohio	34.1
Summit Bank, Ind.	34.1
AmeriTrust, Ohio	33.9
First of Neenah, Wis.	33.7
US Natl. of Galveston	33.4
New England Mutual, Mass.	33.3
Citizens & Southern, Ga.	32.9
Toledo Trust, Ohio	32.9
Mercantile Trust, Mo.	32.6
American Nat'l Bank, Tenn.	32.6
CNA Insurance (Acct. A), Ill.	32.6
First of Elgin, Ill.	32.4
Bank of California	32.3
MBank Austin, Texas	32.2
Crocker National, Calif.	32.2
Colorado Natl. Bank	32.2
Citytrust, Conn.	32.2
Branch Bank & Trust, N.C.	32.1
First Wis. Natl., Madison	32.0
Natl. Bank of Comm., Tenn.	32.0
Standard & Poor's 500	**31.1**

3-year returns

	%
Manufacturers Life, Ont.	40.9
Sun Bank, Fla.	38.8
First Union Bank, N.C.	35.6
First Interstate of Oregon	34.3
Provident National, Pa.	33.4
Beacon Asset, Mass.	33.5
Guardian Insurance, N.Y.	32.7
First Variable Life, Ark.	32.2
Manufacturers Detroit, Mich.	31.5
Fidelity Mgmt. Trust, Mass.	31.3
MBank, Fort Worth, Texas	31.3
Prudential (Priform), N.J.	30.9
New England Mutual, Mass.	30.9
John Hancock (1L), Mass.	30.8
First Wis. Natl., Madison	30.8
Lake Shore National, Ill.	29.5
Centerre Trust, Mo.	29.2
Mutual Benefit, N.J.	29.1
Old Kent, Mich.	29.1
Republic Natl., Dallas	29.0
First Trust Corp., Colo.	29.0

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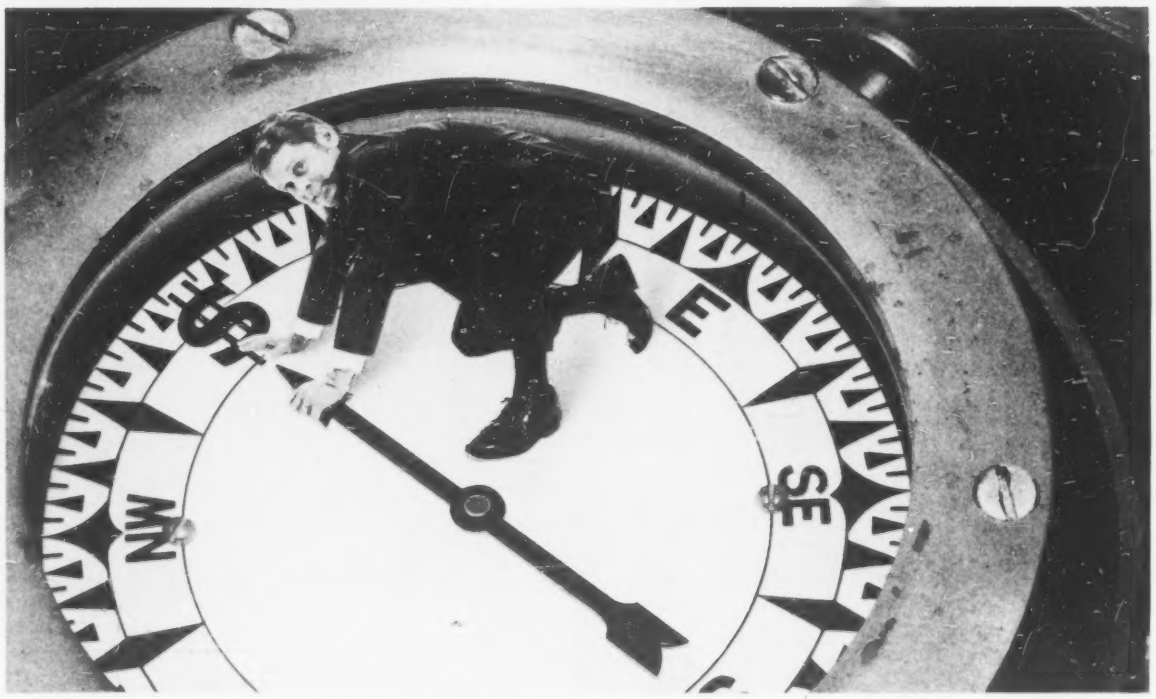

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Mercantile Safe, Md. 28.9
Marine Midland, N.Y. 28.7
First Fidelity Bank, N.J. 28.6
Bankers Life, Iowa 28.5
Merchants National, Ala. 28.5
Irving Trust, N.Y. 28.3
John Hancock (1K), Mass. 28.3
Mellon Bank, Pa. 28.2
Oregon Bank 28.2
Penn Mutual Life, Pa. 27.9
US Natl. of Galveston 27.8
Citytrust, Conn. 27.6
AmSouth, Ala. 27.6
Colorado National Bank 27.6
Continental Bank, Pa. 27.6
First of Warsaw, Ind. 27.6
Cullen Bank, Texas 27.5
Nationwide Life Ins., Ohio 27.5
Natl. Bank of Commerce, Tenn. .. 27.2
Texas Commerce 27.1
Gary Wheaton Bank, Ill. 26.9
Aetna Life & Casualty, Conn. ... 26.8
Mercantile Trust, Mo. 26.7
US Natl. of Oregon 26.7
Minnesota Mutual (C) 26.7
Dauphin Deposit, Pa. 26.7
Landmark Union Trust, Fla. 26.6
First of Chicago 26.5
First Trust St. Paul, Minn. 26.5
Bankers Trust, N.Y. 26.5
Southeast Bank, Fla. 26.4
New Jersey National 26.3
Standard & Poor's 500 ..... **26.3**

5-year returns

	%
Manufacturers Life, Ont.	29.2
Sun Bank, Fla.	26.7
First Union Bank, N.C.	25.6
New England Mutual, Mass.	23.8
First Fidelity Bank, N.J.	23.8
Provident National, Pa.	23.5
Manufacturers Detroit	23.5
First of Oklahoma	22.7
First Variable Life, Ark.	22.6
Lake Shore National, Ill.	22.2
Guardian Insurance, N.Y.	22.0
First Wis. Natl., Madison	21.8
AmSouth, Ala.	21.7
US Natl. of Galveston	21.5
First Interstate of Nevada	21.4
First Interstate of Oregon	21.3
Prudential (Priform), N.J.	21.1
MBank, Fort Worth	20.7
United of Denver	20.6
Midlantic National, N.J.	20.4
Nationwide Life Ins., Ohio	20.4
American Natl., Chicago	20.2
Massachusetts Mutual	20.2
First Trust Corp., Colo.	20.2
MTrust, Texas	20.0
US Natl. of Oregon	20.0
Mutual Benefit, N.J.	19.8
Colorado National Bank	19.8
Dauphin Deposit, Pa.	19.7
IAA Trust Co., Ill.	19.5
Landmark Union Trust, Fla.	19.4
Philadelphia National, Pa.	19.3
Centerre Trust, Mo.	19.1
Confederation Life, Ont.	19.1
Equitable Life (No. 4), N.Y.	19.1
Wheeling Dollar Bank, W. Va.	18.9
First Interstate of Denver	18.9
Texas Commerce	18.9
Natl. Bank of Commerce, Tenn.	18.8
Old Kent, Mich.	18.8
State Street Bank, Mass.	18.7
Gary Wheaton Bank, Ill.	18.7
First Security Natl., Ky.	18.7
Aetna Life & Casualty, Conn.	18.6
Citytrust, Conn.	18.6
Union Central, Ohio	18.4
Security Norstar Bank, N.Y.	18.3
Dominion Trust, Va.	18.3
Bankers Life, Iowa	18.3
Penn Mutual Life (A), Pa.	18.3
First of Warsaw, Ind.	18.2
Minnesota Mutual	18.1
Mercantile Safe, Md.	18.1
Natl. Bank of Commerce, Neb.	18.1
First Natl., Lincoln, Neb.	18.1
First in Bartlesville, Okla.	18.1
First Interstate of Wash.	18.0
Southeast Bank, Fla.	18.0
United Virginia Bank	18.0
Seattle Trust, Wash.	17.9
Fifth Third Bank, Ohio	17.9
Standard & Poor's 500	**16.6**

10-year returns

	%
Manufacturers Life, Ont.	23.9
Guardian Insurance, N.Y.	20.9
First Wis. Natl., Madison	19.2
US Natl. of Galveston	18.5
Citizens Chillicothe, Mo.	18.2
First Trust Corp., Colo.	18.0
First Variable Life, Ark.	18.0
US Natl. of Oregon	17.5
AmSouth, Ala.	16.9
Confederation Life, Ont.	16.8
Bankers Life, Iowa	16.7
Landmark Union Trust, Fla.	16.5
Provident National, Pa.	16.2
Bessemer Trust, N.Y.	16.2
First Union Bank, N.C.	15.8
First of Oklahoma	15.7
First Interstate of Denver	15.5
Aetna Life & Casualty, Conn.	15.4
Nationwide Life Ins., Ohio	15.4
Massachusetts Mutual	15.4
MTrust, Texas	15.3
Natl. Bank of Commerce, Neb.	15.2
First Interstate of Oregon	15.2
MBank, Fort Worth	15.1
First Jersey National, N.J.	15.0
Penn Mutual Life, Pa.	14.9
First Interstate of Wash.	14.7
Wheeling Dollar Bank, W. Va.	14.7
Manufacturers Detroit, Mich.	14.7
Equitable Life (No. 4), N.Y.	14.6
New England Mutual, Mass.	14.6
United of Denver	14.4
Employers Life of Wausau, Wis.	14.3
Fifth Third Bank, Ohio	14.3
Colorado Natl. Bank	14.1
Minnesota Mutual	13.9
Liberty National, Okla.	13.8
Continental Bank, Pa.	13.8
Security Norstar Bank, N.Y.	13.8
Bank of Oklahoma, Tulsa	13.8
Home Life, N.Y.	13.7
Natl. City, Cleveland	13.7
First National, Lincoln, Neb.	13.6
Chicago Title & Trust	13.5
Valley Fidelity, Tenn.	13.5
Pittsburgh National	13.5
Union Central, Ohio	13.3
Unibanctrust, Ill.	13.3
Texas Commerce	13.2
Citytrust, Conn.	13.1
Standard & Poor's 500	**12.7**

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Fixed . . .

Continued from page 33

There is no runaway economy in sight now — we'll just keep bumping along the bottom for . . . maybe another year."

For the second consecutive quarter, the PIPER results show the Commingled Employee Benefits Fixed Income Fund of First Interstate Bank of Nevada, Las Vegas, at the top of the performance ratings for the most recent one-year period.

The $6.9 million fund, managed by First Interstate Investment Advisers, had a return of 45.5% for the 12 months ended June 30. The median fund had an annualized return of 25.8% during the period, while funds in the first quartile earned 29.5% or better, and the Shearson Lehman index gained 28.7%.

Robert M. Lee, president of First Interstate Investment Advisers, said his firm's economists have been looking for lower interest rates since the first half of 1984. As a result, the First Interstate bond fund was invested almost exclusively in 30-year U.S. Treasury securities during the latter part of last year.

During the first half of 1985, the managers liked the equity markets better than the bond markets, and shifted as much as 20% of the assets into convertible securities including both bonds and some preferred stocks, which the portfolio still holds, he said.

Mr. Lee said the First Interstate team is looking for a flat economy for the rest of 1985.

"The basic reason we expected low interest rates was the slow rate of growth of the economy," he said. "We still think the economy will be slow to recover from its current sluggish growth rate. We expect a growth rate of less than 3% for the remainder of the year."

He added interest rates might fall as much as 100 more basis points during the winter months.

For the three-year period ended June 30, the top performing Life of Virginia fund had a compound annual return of 45.5%. The median return for the three-year period was 17.9%, while funds in the top quartile gained 19.2% or more. The Shearson Lehman index advanced 19.1% during the period.

Continued on page 39

Commingled equity funds . . .

Continued from page 33

in "disinflation stocks," or stocks that are economically non-cyclical.

"We don't make bets on undervalued stocks and hope they will be the stocks of next year," he said.

"Our stocks are generally S&P stocks. We have an average p/e and an average beta," said Mr. Gray.

He said the only significant change made to the portfolio was the increased concentration in property and casualty insurance stocks.

Mr. Gray said the insurance, regional banks, food and health care industries also are heavily weighted in the portfolio.

These industries are represented by such stocks as **Ralston Purina Co., Johnson & Johnson, Chubb Corp.** and **Dun & Bradstreet Corp.**

The top fund for the three-, five- and 10-year periods ended June 30 was The Manufacturers Life Insurance Co., Toronto, with returns of 40.9%, 29.2% and 23.9%, respectively.

Donavon McKerchar, assistant investment vice president for the $35 million fund, said the trick to maintaining top results over the long term is to continually move into areas when they become attractive.

"We look at a wide variety of things from IBM down to new stocks," said Mr. McKerchar.

"Our basic approach is to buy stocks that appear to have good value," he said.

Mr. McKerchar said "good value" stocks are cheap compared with their growth and financial characteristics.

When a particular stock, or industry, becomes out of favor, Mr. McKerchar will reduce his position or sell the entire holding.

"We don't feel we have to be represented in every sector of the market. If it's there, but not attractive, there's no reason to own it."

Mr. McKerchar said he recently has reduced his position in some stocks including **Sherwin-Williams Co.** and **United Health Care**.

He also has increased his position in some stocks including **International Business Machines Corp., Union Camp, Sundstrand Corp.,** and **Hewlett-Packard Co.**

The remaining top performers for the three-year period include Sun Bank, 38.8%; First Union National Bank, Charlotte, N.C., 35.6%; First Interstate of Oregon, Portland, 34.3%; and Provident National Bank, Philadelphia, 33.4%.

Sun Banks also ranked second for the five-year period, with a return of 26.7% followed by First Union National Bank, 25.6%; and New England Mutual and First Fidelity Bank, Newark, N.J., both with 23.8%.

Roy Dickover, second vice president in group pension marketing at New England Mutual, said more than one-third of the $30 million Separate Capital Growth account was invested in financial stocks.

He said 19% of the portfolio was invested in insurance stocks and 16.6% was invested in financial services. Health care stocks also represented a major portion of the fund with a 16% weighting.

"The portfolio is concentrated in a relatively small number of stocks in companies with superior growth and earning characteristics," said Mr. Dickover.

"Once the anticipated earnings are achieved, they sell (the stock) and there are no questions," he said.

Some of the stocks in which the fund invests are **American International Group, Marsh & McLennan Cos., Marion Laboratories Inc., H.F. Ahmanson & Co., Squibb Corp.,** and **Upjohn Co.**

Following Manufacturers Life for the 10-year period were Guardian Life Insurance Co. of America, New York, with a return of 20.9%; First Wisconsin National Bank of Madison, 19.2%; U.S. National of Galveston (Texas), 18.5%; and Citizens Bank of Chillicothe, Mo., 18.2%. ■

Fixed . . .

Continued from page 38

The Institutional Bond Fund of Sovran Bank, Richmond, Va., was in the top position for the five-year results, returning 15.8% on a compound annualized basis.

The median rate of return for commingled fixed-income funds tracked by PIPER for the period was 12.3%. Funds in the top quartile returned 13.2%, while the Shearson Lehman index gained 13% during the period.

For the 10 years, the bond fund offered by Fourth National Bank of Wichita and Life of Virginia led the way with compound annualized returns of 13%.

The median performance of all funds for 10 years was 9.8%, and top-quartile funds returned 10.3% or more. The Shearson Lehman index advanced 9.9% during the 10-year period. ■

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Andy Heiskell

Andy Heiskell is a Senior Vice President of Beacon Asset Incorporated. And the "Accumulation Strategy" he's talking about is just one example of the kind of intelligent management he brings to institutional investment portfolios.

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Pension funds, balance sheets

Company	Total pension benefits $ mil.	Vested benefits $ mil.	Fund assets $ mil.	Vested funding status $ mil. 1984	Vested funding status $ mil. 1983	Assumed rate of return (%) 1984	Assumed rate of return (%) 1983	Net worth $ mil.	1984 vested funding status as percentage of net worth %	Pension assets as percentage of net worth %	Corporate assets $ mil.	Pension assets as percentage of corporate assets %	Pension expense $ mil.	Operating income $ mil.	Pension expense as percentage of adjusted operating income %
Allied Corp.	2,718.0	2,543.0	2,751.0A	208.0	67.4	8.0	8.0	2,747.0	7.6	100.1	8,189.0	33.6	175.0	1,342.0	11.5
Aluminum Co. of Amer.	1,728.8	1,602.1	1,670.5	68.4	79.9	9.8	9.8	3,277.6	2.1	51.0	6,341.9	26.3	161.9	536.6	23.2
Amerada Hess	70.3	66.0	139.4	73.4	58.8	9.0	9.0	2,572.9	2.9	5.4	6,217.4	2.2	1.3	877.3	0.1
American Brands	486.4	457.0	469.9	12.9	-47.9	8.6	8.5	2,139.4	0.6	22.0	4,303.9	10.9	59.3	693.2	7.9
American Cyanamid	638.8	628.4	678.1	49.7	25.0	8.5	8.5	1,668.1	3.0	40.7	3,327.0	20.4	48.1	284.4	14.5
American Home (C)	—	—	—	—	—	—	—	2,082.7	—	—	3,032.6	—	20.8	1,091.5	1.9
American Motors	842.3	726.8	372.9	-353.9	-353.1	7.0	7.0	278.8	-126.9	133.8	1,830.2	20.4	65.4	109.5	37.4
Amoco	1,496.0	1,453.0	1,553.0	100.0	201.0	8.0	8.0	12,524.0	0.8	12.4	25,734.0	6.0	121.0	4,379.0	2.7
Anheuser-Busch	327.6	293.2	497.7	204.5	125.5	8.5	8.5	1,951.0	10.5	25.5	4,524.7	11.0	71.9	754.7	8.7
Archer Daniels	63.2	53.9	73.5	19.6	4.1	8.0	8.0	1,649.9	1.2	4.5	2,592.7	2.8	8.8	168.3	5.0
Armco	1,634.2	1,526.6	1,591.5A	64.9	-179.2	13.5	8.5	923.9	7.0	172.3	3,686.6	43.2	118.7	15.0	88.8
Ashland Oil	277.6	257.1	512.6	255.5	154.1	8.9	10.1	845.9	30.2	60.6	4,036.9	12.7	9.7	174.9	5.3
AT&T Technologies	11,432.9	9,600.9	17,148.3	7,547.4	22,388.4	8.0	9.1	13,762.9	54.8	124.6	39,826.6	43.1	1,043.4	2,294.2	31.3
Atlantic Richfield	1,591.0	1,501.0	2,047.0	546.0	301.0	8.5	8.0	9,740.7	5.6	21.0	22,130.0	9.2	111.0	2,454.0	4.3
Beatrice Foods	502.0	464.0	638.0	174.0	93.0	8.0	8.3/12.3	1,834.0	9.5	34.8	10,379.0	6.1	55.0X	703.0	7.3
Bethlehem Steel	3,327.7	3,212.5	2,358.7	-853.8	-830.0	8/14.25	10.0	932.0	-91.6	253.1	4,387.3	53.8	253.9	-77.8	M
Boeing	2,533.0	2,296.0	3,097.0	801.0	570.0	8.5	8.5	3,699.0	21.7	83.8	8,485.0	36.5	181.0	356.0	33.7
Borden	258.8	247.3	314.7	67.4	11.2	8.3	8.3	1,367.4	4.9	23.0	2,884.1	10.9	10.5X	390.7	2.6
Borg Warner	458.5	436.1	484.7	48.6	34.9	11.0	11.0	1,592.5	3.1	30.4	2,782.8	17.4	54.1	443.5	10.9
Bristol Myers	275.5	244.6	440.7	196.1	131.3	8.5	7.5	2,136.1	9.2	20.6	3,248.6	13.6	30.3	719.8	4.0
Burroughs	524.5	493.6	613.3	119.7	116.8	9.0	8.6	2,297.4	5.2	26.7	4,504.2	13.6	38.9	421.0	8.5
Caterpillar	2,334.0	2,193.0	2,586.0	393.0	174.0	9.0	7.5	2,852.0	13.8	90.7	6,223.0	41.6	84.0	-113.0	M
Champion Int'l.	660.6	600.4	735.2	134.8	114.8	9.0	9.5	2,320.7	5.8	31.7	6,815.4	10.8	29.1	301.9	8.8
Chevron	1,150.0	1,112.0	1,507.0	395.0	402.0	8.0	8.0	14,763.0	2.7	10.2	36,358.0	4.1	98.0	2,138.0	4.4
Chrysler	3,232.7	2,856.1	2,511.4A	-344.7	-946.6	12.7	9.8	3,305.9	-10.4	76.0	9,062.7	27.7	267.3	2,235.1	10.7
Coastal Corp.	91.4	82.1	154.4	72.3	68.1	8.0	8.0	548.2	13.2	28.2	3,295.7	4.7	4.1	276.7	1.5
Coca-Cola Co	235.1	217.6	334.4	116.8	87.6	9.0	9.5	2,778.1	4.2	12.0	5,958.1	5.6	36.0	1,057.5	3.3
Colgate-Palmolive	493.3	467.1	663.3	196.2	132.6	8.5	7.1	1,219.4	16.1	54.4	2,568.3	25.8	21.7	295.2	6.8
Control Data	305.2	296.7	473.5	176.8	157.3	8.0	7.9	1,764.3	10.0	26.8	9,588.9	4.9	24.5	139.5	14.9
CPC Int'l.	256.4	241.6	204.9	-36.7	-0.6	8.0	8.0	1,324.3	-2.8	15.5	2,683.4	7.6	31.0	389.9	7.4
Dart & Kraft	710.7	676.4	1,062.2	385.8	331.2	8.0	8.0	2,598.0	14.8	40.9	5,284.9	20.1	21.5	847.9	2.5
Deere & Co.	1,187.0	1,111.0	1,641.0	530.0	307.0	9.0	9.0	2,290.8	23.1	71.6	5,697.3	28.8	102.0	72.8	58.4
Diamond Shamrock	142.6	138.8	155.4	16.6	-7.7	9.5	8.0	2,450.7	0.7	6.3	5,396.4	2.9	8.2	619.3	1.3
Digital Equipment	158.8	125.7	382.4	256.7	142.3	6.0	6.0	3,979.2	6.5	9.6	5,593.3	6.8	95.5	394.6	19.5
Dow Chemical	1,463.0	1,190.0	1,314.0	124.0	224.0	8.0	8.0	5,062.0	2.4	26.0	11,419.0	11.5	124.0	848.0	12.8
Du Pont	5,754.0	5,631.0	8,359.0	2,728.0	2,665.0	9.4	8.9	11,961.0	22.8	69.9	24,098.0	34.7	449.0	4,509.0	9.1
Eastman Kodak	2,694.0	2,651.0	3,992.0	1,341.0	1,159.0	9.0	9.0	7,137.0	18.8	55.9	10,778.0	37.0	118.0	1,547.0	7.1
Emerson Electric	235.7	212.0	362.8	150.8	142.5	8.8	9.0	1,869.2	8.1	19.4	2,979.6	12.2	32.2	649.0	4.7
Exxon	2,909.0	2,773.0	4,926.0	2,153.0	1,580.0	10.0	8.3	28,851.0	7.5	17.1	62,288.6	7.9	557.0X	9,792.0	5.4
Firestone Tire & Rubber	879.0	830.0	1,019.0	189.0	273.0	11.0	11.9	1,236.0	15.3	82.4	2,571.0	39.6	17.0	86.0	16.5
Ford Motor	10,720.0	8,770.0	8,550.0	-220.0	760.0	8.0	8.0	9,837.7	-2.2	86.9	27,485.6	31.1	515.9	3,422.2	13.1
General Dynamics	1,362.7	1,264.0	1,643.1	379.1	148.1	7.0	7.0	1,062.1	35.7	154.7	3,034.8	54.1	96.8	663.3	12.7
General Electric	9,040.0	8,331.0	11,695.0	3,364.0	2,233.0	13.4	7.5	12,573.0	26.8	93.0	24,730.0	47.3	603.0	2,845.0	17.5
General Foods	912.6	860.0	1,423.7	563.7	243.2	7.5	6.5	2,040.2	27.6	69.8	4,431.8	32.1	80.6	632.1	11.3
General Mills	327.0	296.0	429.0	133.0	105.0	9.5	10.0	1,224.6	10.9	35.0	2,858.1	15.0	36.9	452.4	7.5
General Motors	22,030.4	20,216.2	19,457.3	-758.9	-111.5	10.3	9.0	23,958.7	-3.2	81.2	52,144.9	37.3	1,618.4	4,700.0	25.6
Georgia-Pacific	277.0	252.0	295.0	43.0	48.0	7.5	6.7	2,007.0	2.1	14.7	4,785.0	6.2	26.0	533.0	4.7
Goodyear Tire	1,733.7	1,607.2	1,917.1	309.0	281.5	8.5	8.5	3,171.3	9.8	60.5	6,194.3	30.9	91.0	763.1	10.7
Grace (W.R.)	256.1	241.5	434.4	192.9	179.8	7.1	6.5	2,187.1	8.8	19.9	5,328.0	8.2	19.1	440.1	4.2
Gulf & Western	286.8	271.5	364.1	92.6	69.0	10.0	10.0	1,836.5	5.0	19.8	4,148.6	8.8	30.7	283.3	9.8

Definitions

Total pension benefits:
The actuarial present value of benefits promised to all past and present employees based on service already performed.

Vested benefits:
The present value of all benefits accrued by employees who have worked long enough with the company to have a legal right to the benefits.

Fund assets:
The market value of the assets that have been set aside to fund pension benefit payments.

Vested funding status:
Fund assets minus vested benefits. Overfunded plans have a positive status; plans with an unfunded vested liability have a negative status.

Assumed rate of return:
The weighted average interest rate the company's actuary uses in deriving the present value of total pension benefits.

Net worth:
The amount of equity available for stockholders as shown on the company's balance sheet.

Adjusted operating income:
Operating income plus pension expense.

and income statements: 1984 (See related story — page 3)

Company	Total pension benefits $ mil.	Vested benefits $ mil.	Fund assets $ mil.	Vested funding status $ mil. 1984	Vested funding status $ mil. 1983	Assumed rate of return (%) 1984	Assumed rate of return (%) 1983	Net worth $ mil.	1984 vested funding status as percentage of net worth %	Pension assets as percentage of net worth %	Corporate assets $ mil.	Pension assets as percentage of corporate assets %	Pension expense $ mil.	Operating income $ mil.	Pension expense as percentage of adjusted operating income %
Heinz (H.J.)	199.4	169.6	229.3	59.7	43.9	9.0	9.0	1,114.9	5.4	20.6	2,343.0	9.8	35.3	454.1	7.2
Hewlett-Packard	603.0	447.0	748.0	301.0	273.0	9.0	9.0	3,545.0	8.5	21.1	5,153.0	14.5	107.0	860.0	11.1
Honeywell	1,088.2	929.0	1,128.1	199.1	265.1	8.0/14.8	8.0	2,380.9	8.4	47.4	4,759.8	23.7	84.5	454.9	15.7
IC Industries	374.9	342.6	429.2	86.6	26.6	8.0	8.0	1,477.4	5.9	29.1	4,840.2	8.9	27.0X	328.2	7.6
Int'l. Bus. Machines	7,296.0	7,016.0	11,444.0	4,428.0	3,234.0	7.5	5.5	26,489.0	16.7	43.2	42,808.0	26.7	1,096.0	11,231.0	8.9
Int'l. Harvester	2,235.0	2,118.0	1,130.0	−988.0	−943.0	7.0/15.6	7.0/15.6	−624.2	158.3	−181.0	3,248.9	34.8	151.0	178.1	45.9
Int'l. Paper	859.0	814.0	1,037.0	223.0	294.0	8.0	8.0	3,298.0	6.8	31.4	5,795.1	17.9	21.0	254.8	7.6
ITT	1,882.8	1,721.0	2,067.2	346.2	254.5	9.0	9.0	5,414.5	6.4	38.2	13,277.2	15.6	192.0	660.3	22.5
Johnson & Johnson	309.4	283.0	567.9	284.9	230.0	8.3	8.3	2,932.0	9.7	19.4	4,541.4	12.5	57.4	745.5	7.1
Litton Ind.	733.0	715.0	NA	NA	NA	7.0	7.0	2,004.8	NA	NA	4,379.9	NA	30.3	381.4	7.4
Lockheed Corp.	2,389.0	2,291.0	3,137.0	846.0	801.0	8.5	8.4	1,138.4	74.3	275.6	3,165.6	99.1	166.0	649.5	20.4
LTV	3,433.1	3,173.3	2,936.9	−236.4	−215.7	10.0	10.0	1,072.6	−22.0	273.8	6,926.0	42.4	163.1	−197.6	M
Martin Marietta	810.0	732.0	1,093.0	361.0	490.7	4.0/10.5	4.0/9.5	511.1	70.6	213.9	2,224.3	49.1	77.2	286.3	21.2
McDonnell Douglas	2,004.2	1,760.8	3,016.8	1,256.0	856.9	8.0	8.0	2,343.8	53.6	128.7	6,191.3	48.7	160.4X	337.2	32.2
3M	896.0	708.0	1,214.0	506.0	366.0	8.0	8.0	3,814.0	13.3	31.8	6,094.0	19.9	119.0X	1,286.0	8.5
Mobil	2,327.0	2,266.0	3,155.0	889.0	321.0	9.0	6.0	13,624.0	6.5	23.2	41,851.0	7.5	229.0	852.0	21.2
Monsanto	1,738.0	1,554.0	2,074.0	520.0	495.0	7.5	7.5	3,634.0	14.3	57.1	6,373.0	32.5	116.0	677.0	14.6
Motorola	133.0	109.0	273.0	164.0	143.0	7.0	7.0	2,278.0	7.2	12.0	4,194.0	6.5	11.0	500.0	2.2
Nabisco Brands	492.1	449.2	476.3	27.1	16.2	9.0/12.8	9.0	1,542.1	1.8	30.9	3,761.2	12.7	72.1	579.0	11.1
NCR	533.2	510.1	645.8	135.7	132.1	8.5	8.5	2,075.8	6.5	31.1	3,589.1	18.0	48.9	523.1	8.5
North Amer. Phillip	317.2	281.7	599.1	317.4	214.0	9.0	7.5	986.8	32.2	60.7	2,517.6	23.8	33.1	265.5	11.1
Occidental Petroleum	133.7	130.3	156.1	25.8	76.3	8.0	8.0	2,568.6	1.0	6.1	12,273.1	1.3	4.0	1,536.1	0.3
Pepsico	346.1	268.8	433.4	164.6	126.3	7.0	7.0	1,853.4	8.9	23.4	4,950.2	8.8	43.4	695.2	5.9
Pfizer*	342.5	320.7	416.7	98.0	63.4	9.8	9.3	2,484.5	3.9	16.9	4,047.1	10.3	46.0	833.5	5.2
Philip Morris	537.7	453.7	745.1	291.4	225.9	7.5	7.5	4,092.9	7.1	18.2	9,339.2	8.0	96.3X	2,153.8	4.3
Phillips Petroleum	816.0	770.0	1,487.0	717.0	579.0	7.5/8.0	7.5/8.0	6,624.0	10.8	22.4	16,965.0	8.8	8.0	2,160.0	0.4
Pillsbury	183.5	160.3	251.1	90.8	116.4	8/15.25	8/15.25	1,046.2	8.7	24.0	2,608.3	9.6	13.2	347.9	3.7
PPG Industries	710.9	664.4	808.0	143.6	167.0	9.0	9.0	2,015.1	7.1	40.1	3,796.7	21.3	47.0	539.7	8.0
Procter & Gamble (B)	——	——	——	——	——	——	——	5,080.0	——	——	8,135.0	——	——	1,387.0	——
R.J. Reynolds Inds.	914.0	759.0	1,179.0	420.0	308.0	8.0	8.0	4,478.0	9.4	26.3	9,272.0	12.7	69.0	1,619.0	4.1
Ralston Purina	191.5	170.1	399.6	229.5	132.0	8.0	6.0	997.5	23.0	40.1	2,004.2	19.9	10.7	512.7	2.0
Raytheon Co.	892.6	816.9	1,045.8	228.9	152.9	7.0	7.0	1,979.2	11.6	52.8	3,600.1	29.0	78.2	419.0	15.7
Rockwell Int'l.	3,256.0	2,846.0	4,076.0	1,230.0	694.0	8.0	7.0	2,494.7	49.3	163.4	5,869.5	69.4	165.7	798.3	17.2
Sara Lee Corp.	188.6	152.2	213.2	61.0	17.3	7.0	7.0	956.9	6.4	22.3	2,821.8	7.6	29.6	344.7	7.9
Shell Oil	1,632.0	1,455.0	2,047.0	592.0	805.0	9.5	9.0	12,512.0	4.7	16.4	23,709.0	8.6	142.0	2,991.0	4.5
Signal Cos.	483.0	429.0	872.0	443.0	202.0	11.5	7.5	2,693.0	16.5	32.4	5,511.0	15.8	66.0	330.0	16.7
Sperry Corp.	945.9	873.9	1,258.9	385.0	325.2	8.0	8.0	2,802.9	13.7	44.9	5,502.6	22.9	77.4	434.1	15.1
Std. Oil (Ohio)	829.0	764.0	1,124.0	360.0	166.0	8.0/13.0	8.0	8,390.0	4.3	13.4	17,487.0	6.4	60.0	2,948.0	2.0
Sun Company	946.0	870.0	1,274.0	404.0	331.0	9.5	9.0	5,210.4	7.8	24.5	12,789.0	10.0	58.0	1,342.0	4.1
Tenneco	867.0	782.0	1,043.0	261.0	194.0	7.6	7.6	6,153.0	4.2	17.0	18,205.0	5.7	94.0	1,538.0	5.8
Texaco	1,411.0	1,263.0	1,977.0	714.0	510.0	8.2	9.4	13,107.0	5.4	15.1	37,744.0	5.2	209.0	2,966.0	6.6
Texas Instruments	295.1	265.7	541.1	275.4	194.2	6.0	6.0	1,540.5	17.9	35.1	3,423.4	15.8	57.4	525.8	9.8
TRW Inc.	1,067.8	985.2	1,377.9	392.7	424.0	8.5	8.5	1,721.8	22.8	80.0	3,480.6	39.6	111.3	482.7	18.7
U.S. Steel	7,789.0	7,396.0	8,185.0	789.0	1,917.0	9.0	10.0	4,862.0	16.2	168.3	18,989.0	43.1	53.0	1,566.0	3.3
Union Carbide	1,672.0	1,544.0	2,436.0	892.0	824.0	9.0	9.5	4,924.0	18.1	49.5	10,518.0	23.2	171.0	813.0	17.4
United Technologies	2,779.2	2,596.3	3,767.6	1,171.3	1,062.1	7.9	7.9	3,642.1	32.2	103.4	9,904.5	38.0	224.9	1,015.8	18.1
Unocal	696.7	668.1	855.9	187.8	180.1	7.0	7.0	5,694.3	3.3	15.0	10,202.8	8.4	55.0	1,370.5	3.9
Westinghouse	3,396.5	3,020.3	3,162.2	141.9	256.3	8.3/12.3	8.3/12.3	3,740.8	3.8	84.5	9,150.4	34.6	120.0	610.0	16.4
Weyerhaeuser	491.9	471.9	571.8	99.9	115.6	9.5	9.5	2,808.8	3.6	20.4	5,957.7	9.6	42.0	463.9	8.3
Xerox Corp.	1,210.9	1,205.6	1,296.7	91.1	78.7	8.0	8.0	4,083.7	2.2	31.8	9,537.1	13.6	149.6	676.2	18.1

Operating income:
Income derived from actual operations of the company.

Pension expense:
The amount charged against income to fund benefit payments in a given year.

Corporate assets:
The value of all corporate assets, as shown on the balance sheet.

Vested funding status as a percentage of net worth:
A comparison of the vested funding status, either positive or negative, to a company's net worth.

NOTES:
A — Includes assets the company owes but has not contributed to the plan.
B — Procter & Gamble has a profit sharing plan and no defined benefit plan.
C — American Home Products' entire plan is insured with Metropolitan Life.
M — Pension statistics as percentages of either a negative net income or negative operating profit are meaningless.
X — Includes Canadian or overseas plans.
* — Agway has been withdrawn from this list. Pfizer was substituted.

Benefit plan information presented here is as reported by the company from the most current annual report.
Source: Wright Investors' Service, Bridgeport, Conn.

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Money managers' addendum

The following is an addendum to the 12th annual directory of money managers that ran May 6.

AEI

4550 Montgomery Ave., Suite 803N, Bethesda, Md. 20814; (301) 657-9700

Total assets managed	$0
Minimum separate account	$10,000,000
No. of portfolio managers	2
Size of research staff	2

AEI offers fixed-income and international capabilities. Its fixed-income approach is based on interest rate anticipation. The approach balances liquidity and return objectives with explicit risk management with scenario forecasting and efficient frontier asset allocation.

Hugo J.H. Schielke, chairman, is the chief investment officer; George P. Stasen, president, is the client contact.

Allegheny Financial Group

403 McKnight Park Drive, Pittsburgh, Pa. 15237; (412) 367-3880

Total assets managed	$21,000,000
Tax-exempt assets managed:	
Total	$15,000,000
Fully discretionary	$3,000,000
International assets managed	$340,000
Real estate assets managed	$15,000,000
Minimum separate account	250,000
Tax-exempt clients	20
Types of accounts managed	CF
No. of portfolio managers	5
Size of research staff	3

Allegheny Financial Group Ltd. has equity, fixed-income, balanced, real estate and international capabilities.

Its equity approach identifies the top money managers by specialty. Plan assets are diversified among managers of large- or small-capitalization stocks and managers with value or growth orientation.

Its fixed-income approach seeks opportunities by securing mortgages, often with equity kickers, and uses mortgage-backed securities. Bond managers also are used.

Real estate is diversified geographically and among asset types: shopping centers, apartment complexes and office buildings. The firm invests primarily in seasoned projects acquired from owner-developer.

The tax-exempt asset mix as of Jan. 1 was 44.05% stocks, 14.99% bonds, 19.32% cash, 6.54% equity real estate, 10.57% mortgages and 4.53% mortgage-backed securities.

Roger C. Gibson, vice president-tax-exempt assets, is the chief investment officer. Philip M. Gallagher, vice president, is the client contact.

American Asset Management Co.

1500 Central National Bank Bldg., Cleveland, Ohio 44114; (216) 781-8899

Total assets managed	$77,000,000
Tax-exempt assets managed:	
Total	$38,000,000
Fully discretionary	$30,000,000
Real estate assets managed	$3,000,000
Minimum separate account	$500,000
Tax-exempt clients	28
Types of accounts managed	CEF
No. of portfolio managers	3

American Asset Management Co. offers equity, fixed-income and balanced management.

Equity portfolios generally have high-quality securities, selective diversification, low p/e ratios, above-average yields earnings visibility and high asset values.

Its fixed-income approach is conservative, with purchases limited to securities with maturities of 10 years or less.

The tax-exempt asset mix as of Jan. 1 was 60% stocks, 25% bonds and 15% cash.

Clients include Cleveland Electric Illuminating, Ogelbay Norton and Banner Industries.

James E. Difiore, executive vice president, is the chief investment officer. Joseph H. Thomas, president, is the client contact.

Beacon Asset Inc.

28 State St., Boston, Mass. 02019; (617) 722-6554

Total assets managed	$961,000,000
Tax-exempt assets managed:	
Total	$834,000,000
Fully discretionary	$834,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	470
Types of accounts managed	CEFGJ
No. of portfolio managers	10
Size of research staff	4

Beacon Asset Inc. has equity, fixed-income, balanced and venture capital capabilities.

Its equity strategy combines low p/e, sector rotation and contrarian approaches. Valuepath, a disciplined approach to equity management, uses a large-capitalization universe with above-market yield and below-market p/e. Its computer-driven models allow the firm to analyze and identify undervalued stocks and to structure those issues in diversified, value-oriented portfolios.

The fixed-income approach emphasizes sector analysis and specific return minimum objectives. The firm's accumulation strategy focuses on a passive objective (specific maturity or specific return objective) while maintaining a very active management style through opportunistic trading.

The asset mix as of Jan. 1 was 55% stocks and 45% bonds.

The minimum size for fixed-income accounts is $5 million.

Eighty percent of research is generated internally; the firm uses options.

Clients include Foxboro; Reed & Barton; Medford Retirement System; and L.G. Balfour Foundation.

Richard V. Howe, vice president and officer-in-charge, is chief investment officer for equities. Andrew L. Heiskell, senior vice president and officer-in-charge, is chief investment officer for fixed income and trading. Robert E. Everett, vice president, is the client contact.

Beacon Capital Management

2 World Trade Center, Suite 8546, New York, N.Y. 10048; (212) 912-6900

Total assets managed	$600,000,000
Tax-exempt assets managed:	
Total	$600,000,000
Commingled accounts	$139,000,000
Separate accounts	$461,000,000
Fully discretionary	$600,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	15
Types of accounts managed	CEFJ
No. of portfolio managers	5
Size of research staff	5

Beacon Capital Management has equity, fixed-income and balanced capabilities. Its equity approach uses market timing. Beacon emphasizes preservation of capital as well as growth. It specializes in fundamental market timing and 'value plus' stock selection.

Its fixed-income approach uses interest rate anticipation. Portfolio duration is matched to the optimal expected returns derived from anticipated shifts in the yield curve.

The tax-exempt asset mix as of Jan. 1 was 45% stocks, 35% bonds and 20% cash.

As of Jan. 1, the firm had a net gain of $25 million in new tax-exempt business. One-half of the research is generated internally. It uses stock index futures.

Samson Wang, president, is chief investment officer. Frederick Graef, vice president, is client contact.

William Blair & Co.

135 S. LaSalle St., Chicago, Ill. 60603; (312) 236-1600

Total assets managed	$1,153,000,000
Tax-exempt assets managed:	
Total	$346,000,000
Fully discretionary	$177,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	78
Types of accounts managed	CEF
No. of portfolio managers	10
Size of research staff	10

William Blair & Co. is an equity manager. Depending on objectives, its equity accounts typically are a mixture of established and emerging growth stocks.

The firm has a real estate department that specializes in financing commercial developments.

The asset mix Jan. 1 was 70% stocks, 18% bonds and 12% cash.

It follows 200 stocks closely and 400 generally; 60% to 70% of the research is generated internally. The firm makes limited use of options.

Conrad Fischer, partner, is the chief investment officer. John K. Greene, partner, is the client contact.

California First Capital Management

P.O. Box 8489, La Jolla, Calif. 92037; (619) 454-3235

Total assets managed	$85,000,000
Tax-exempt assets managed:	
Total	$85,000,000
Fully discretionary	$85,000,000
Minimum separate account	$5,000,000
Tax-exempt clients:	
Commingled	2
Separate	7
Types of accounts managed	C
No. of portfolio managers	3
Size of research staff	2

California First Capital Management is an equity manager. Small to medium emerging growth stocks are used in its bottom-up approach.

The firm follows 50 stocks closely. It generates 20% of its research internally.

Clients include, Pacific Ltg., Intel Corp., Continental Airlines and Home Federal.

William Jeffery III, president, is the chief investment officer and the client contact.

Capitol Bank and Trust Co.

1 Bulfinch Place, Boston, Mass. 02114; (617) 723-5300

Total assets managed	$98,000,000
Tax-exempt assets managed:	
Total	$97,000,000

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Fully discretionary	$97,000,000
International assets managed	$4,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	12
No. of portfolio managers	2
Size of research staff	2

Capitol Bank and Trust Co. has equity, fixed-income, balanced and international capabilities.

It employs Graham & Dodd analysis and market timing in its equity approach. Stressing asset valuation, the firm selects stocks that benefit from secular trends, i.e. bank, insurance and utility stocks during disinflation; energy, natural resource and technology stocks during inflation.

Interest rate anticipation and sector analysis are used for fixed-income management. Active management; major maturity, coupon, credit quality and other sector swaps in anticipation of secular changes; minor adjustments in anticipation of cyclical changes.

The tax-exempt asset mix as of Jan. 1 was 20% stocks, 75% bonds and 5% cash.

The net gain in new tax-exempt business for 1984 was $25 million; three tax-exempt clients were added.

The bank watches 20 stocks closely and 60 generally. Half of the bank's research is generated internally.

State-Boston Retirement System is one of the bank's clients.

G. Peter Grote, vice president and senior trust officer, is the chief investment officer; Virginia O'Brien is the client contact.

Centerre Bank of Kansas City

900 Walnut, P.O. Box 666, Kansas City, Mo. 64141; (816) 474-6211

Total assets managed	$357,000,000
Tax-exempt assets managed:	
Total	$103,000,000
Fully discretionary	$103,000,000
Minimum separate account	$1,000,000
No. of portfolio managers	2
Size of research staff	7

Centerre Bank has equity, fixed-income and balanced capabilities.

Ronald Conus, vice president, is the chief investment officer. Jennifer Nicholson, vice president, is the client contact.

Chittenden Bank Trust & Investment Division

P.O. Box 820, Burlington, Vt. 05402; (802) 658-4000, ext. 436

Total assets managed	$328,000,000
Tax-exempt assets managed:	
Total	$47,000,000
Fully discretionary	$44,000,000
Tax-exempt clients:	
Commingled	75
Separate	25
Types of accounts managed	CEJ
No. of portfolio managers	2
Size of research staff	1

The Chittenden Bank has equity, fixed-income and balanced capabilities. Its equity approach has a growth stock orientation, influenced by stock selection and asset allocation decisions.

Its fixed-income approach primarily is concerned with major anticipated changes in interest rates, and not relatively short-term trading opportunities.

The mix of the tax-exempt assets Jan. 1 was 50% stocks, 45% bonds and 5% cash.

For 1984, the bank had a net gain of $7 million in tax-exempt business. Stock options are used.

It follows 75 stocks closely, and 150 generally; 15% of the research is generated internally.

Clients include G.S. Blodgett Inc.

Robert A. Bose is vice president and chief investment officer. Anne Beverly, assistant vice president and employee benefits officer, is the client contact.

Corbyn Associates Inc.

Suite 330, The Quadrangle, Village of Cross Keys, Baltimore, Md. 21210; (301) 532-8600

Total assets managed	$130,000,000
Tax-exempt assets managed:	
Total	$85,000,000
Fully discretionary	$85,000,000
Minimum separate account	$100,000
Tax-exempt clients	180
Types of accounts managed	CEF
No. of portfolio managers	3
Size of research staff	3

Corbyn Associates Inc. is an equity manager. Its approach uses low p/e stock, Graham & Dodd analysis. It is value-oriented with a foundation of modified contrary opinion. The emphasis is on the inefficient sector and special situations. Technical analysis plays a supplemental role in setting strategy.

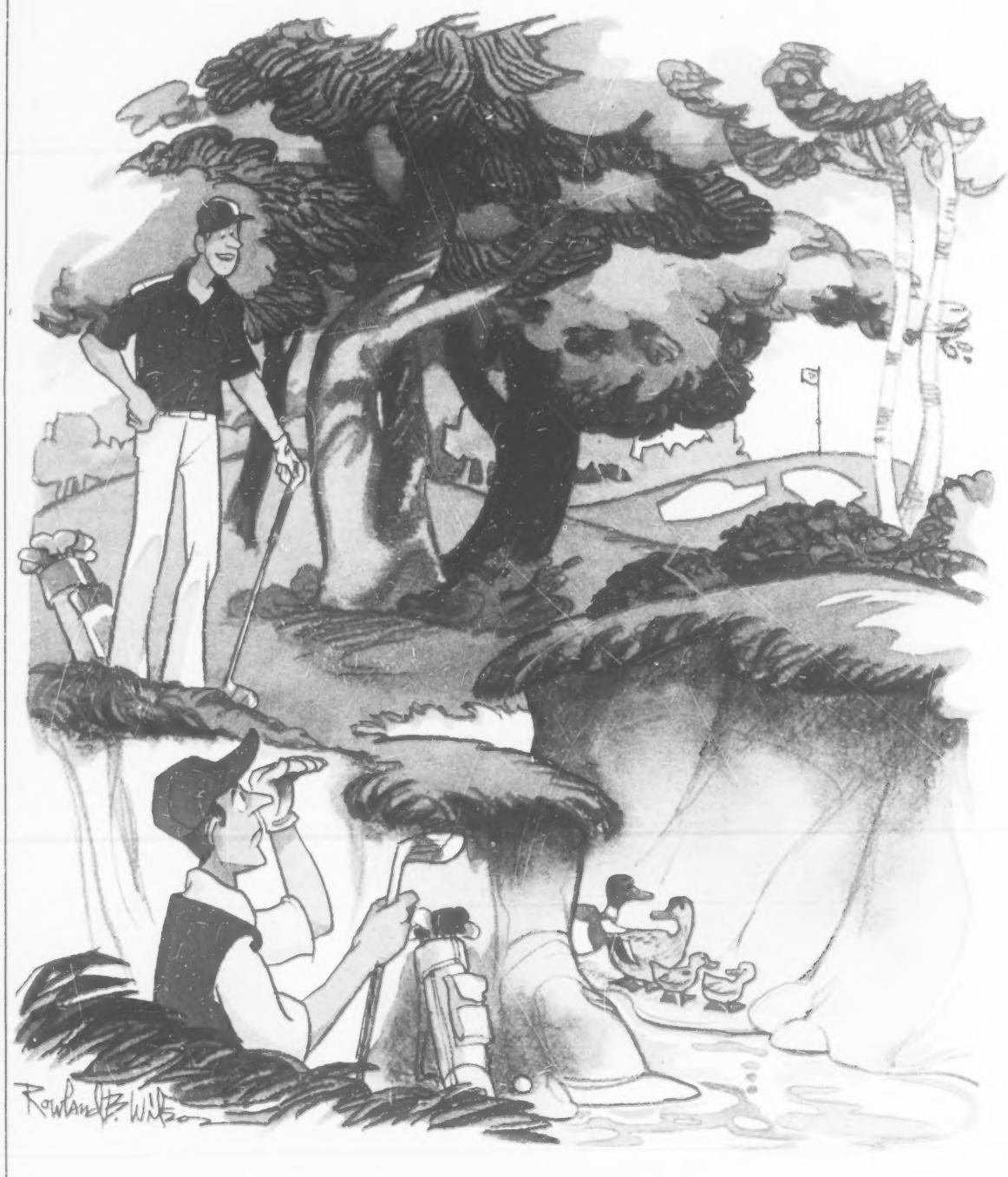
The mix of the tax-exempt assets Jan. 1 was 50% stocks, 25% bonds and 25% cash.

It follows 50 stocks closely and 2,000 generally; 30% of the research is generated internally.

Clients include Saint Joseph Hospital, Greater Baltimore Medical Center, Bon Secours Hospital and French

Key to abbreviations

C: Corporate accounts
E: Educational endowments
F: Private foundations
G: State and local gov'ts.
J: Jointly trusteed funds



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Daniel R. Long III, director of research and portfolio management, is the chief investment officer. Richard Hynson Jr., vice president, is the client contact.

Cramer Rosenthal McGlynn

111 Broadway, New York, N.Y. 10006; (212) 608-6360

Total assets managed	$125,000,000
Tax-exempt assets managed:	
Total	$30,000,000
Fully discretionary	$30,000,000
Minimum separate account	$1,000,000
No. of portfolio managers	2
Size of research staff	1

Cramer Rosenthal McGlynn Inc. had equity and fixed-income capabilities.

The firm identifies economic and sociological trends, combining these with a search for a favorable relationship between risk and reward for specific securities. Its investment decisions are based on four major variables — earnings momentum, institutional ownership and sponsorship, relative strength and traditional Wall Street valuation methods.

The framework is conservative because it places little emphasis on accurately forecasting the states of the economy, industry and company. The approach favors securities that while having great potential reward have relatively low risk.

The mix of the tax-exempt assets Jan. 1 was 60% stock and 40% bonds.

Gerald Cramer, chairman is the chief investment officer; Ronald McGlynn, president, is the client contact.

Cullen Center Bank & Trust

P.O. Box 1315, Houston, Texas 77251; (713) 652-7862

Total assets managed	$145,000,000
Tax-exempt assets managed:	
Total	$84,000,000
Fully discretionary	$79,000,000
Real estate assets managed	$4,600,000
International assets managed	$37,000
Minimum separate account	$100,000
Tax-exempt clients	26
Types of accounts managed	C
No. of portfolio managers	2
Size of research staff	2

Cullen Center Bank & Trust has equity, fixed-income and balanced capabilities. As an equity manager, it selects stocks that are relatively undervalued according to multiple quantitative models.

For fixed-income, its primary strategy is to anticipate major rate cycles; a secondary tactic is to exploit sector, maturity and quality market inefficiencies.

As of Jan. 1, the mix of tax-exempt assets was 43% stocks, 32% bonds, 19% cash, 5% equity real estate and 1% mortgages.

The bank follows 40 stocks closely and 100 generally. It generates 15% of its research internally.

Clients include, Quintana Petroleum, S.A.M. Office Supply and Intermedco.

Robert B. McAshan III, senior vice president and senior trust investment officer, is the chief investment officer.

Delafield, Harvey, Tabell Inc.

909 State Road, Princeton, N.J. 08540; (609) 924-9660

Total assets managed	$250,000,000
Tax-exempt assets managed	
Total	$66,000,000
Fully discretionary	$41,000,000
Minimum separate account	$500,000
Tax-exempt clients	39
Types of accounts managed	CEF
No. of portfolio managers	5
Size of research staff	5

Delafield, Harvey, Tabell Inc. is an equity and balanced manager. It uses a blend of technical and fundamental analysis as a means of isolating those market segments most attractive for investment, with a bias toward low p/e, moderate-yield stocks.

Maturin L. Delafield and Ashton Harvey, managing directors, are the chief investment officers. Joseph A. Gallagher, vice president, is the client contact.

First National Bank of Mercy County

Hermitage Square, Hermitage, Pa. 16148; (412) 981-6000

Total assets managed	$70,000,000
Tax-exempt assets managed	
Total	$20,000,000
Fully discretionary	$20,000,000
Minimum separate account	$50,000
Types of accounts managed	CEFGJ
No. of portfolio managers	2

First National Bank of Mercy County has equity, fixed-income and balanced capabilities.

Its equity approach uses growth stock, low p/e stock and sector rotation. It is a value-oriented approach, using technical computer models, dividend deposit earnings, momentum and relative strength.

The fixed-income approach attempts to forecast interest rates. Corporate and government agency securities are used.

As of Jan. 1, the mix of tax-exempt assets under management by First National Bank of Mercy County was 40% stocks, 50% bonds and 10% cash.

The bank uses options. It follows 175 stocks closely and 300 generally.

Michael Hephner, vice president-trust investment officer, is the chief investment officer. Colin Appleton, vice president-trust investment officer, is the client contact.

First Wisconsin Trust Co.

777 E. Wisconsin Ave., Milwaukee, Wis. 53201; (414) 765-5218

Total assets managed	$2,430,000,000
Tax-exempt assets managed	
Total	$1,329,000,000
Fully discretionary	$1,329,000,000
Real estate assets managed	$5,800,000
Minimum separate account	$1,000,000
Tax-exempt clients	
Commingled	548
Separate	98
Types of accounts managed	CEFGJ
No. of portfolio managers	10
Size of research staff	4

First Wisconsin Trust Co. has equity, fixed-income, balanced, real estate and immunization/dedication capabilities.

Stressing emerging growth stocks in its equity approach, valuation models are used to identify opportunities in the market. The models include relating return on investment to market prices. A dividend discount model and relative historical price-earnings ratios also are used.

Interest rate anticipation is used in the fixed-income approach, with immunization, dedication and contingent immunization offered. Cash reserves range between 0 and 50%. Average weighted maturity ranges between two and nine years. Sectors are emphasized or de-emphasized given yield spread analysis.

The main objective in the bank's real estate approach is to have a diversified portfolio managed to provide a stable income stream and long-term asset growth.

The tax-exempt asset mix Jan. 1 was 40% stocks, 50% bonds and 10% cash.

The bank follows 200 stocks closely and 350 generally. Half of its research is generated in-house. The minimum account size for balanced accounts is $2 million.

Clients include Briggs and Stratton, Dayton Hudson, Wisconsin Power & Light and Wisconsin Telephone.

Marvin R. Swentkofske is first vice president and chief investment officer. Anthony M. Rood is the client contact.

Fourth National Bank and Trust Co.

100 N. Broadway, P.O. Box 4, Wichita, Kan. 67201; (316) 261-4563

Total assets managed	$755,000,000
Tax-exempt assets managed	
Total	$413,000,000
Fully discretionary	$398,000,000
Real estate assets managed	$1,500,000
Minimum separate account	$500,000
Tax-exempt clients	
Commingled	173
Separate	127
Types of accounts managed	CEFGJ
No. of portfolio managers	7
Size of research staff	3

The Fourth National Bank and Trust Co. offers equity, fixed-income and balanced capabilities.

Its equity approach emphasizes value. Using a dividend discount model, it ranks equities in its research universe of 300 companies. Sector allocations are developed from the bank's economic forecast and portfolios have specified risk and diversification parameters.

Its fixed-income approach is dictated by interest rate anticipation developed from the bank's economic forecast. Addititionally, emphasis is placed on yield spread relationships to enhance selection by sector, quality and coupon.

The tax-exempt asset mix Jan. 1 was 37% stocks, 36% bonds and 27% cash.

Fourth National follows 300 stocks closely; 10% of research is generated internally.

Clients include Cessna Aircraft, Wichita City Employees, Wichita State University and Wesley Medical Endowment Foundation.

Gary E. Hippenstiel, vice president and manager-securities management development, is the chief investment officer and the client contact.

Grantham, Mayo, Van Otterloo & Co.

125 High St., Boston, Mass. 02110; (617) 574-4817

Total assets managed	$1,330,000,000
Tax-exempt assets managed	
Total	$1,182,000,000
Fully discretionary	$1,182,000,000
International assets managed	$507,000,000
Minimum separate account	$25,000,000
Tax-exempt clients	40
Types of accounts managed	CEF
No. of portfolio managers	4

Grantham, Mayo, Van Otterloo & Co. has equity and international capabilities.

For equities, the firm uses a rigorous value approach stressing low p/e ratios, low price to book ratios, high yield and best present value. It weights countries according to their relative cheapness.

The tax-exempt asset mix for international accounts as of Jan. 1 was 98% stocks and 2% cash; for domestic accounts, it was 70% stocks and 30% bonds.

In 1984, the firm had a net gain of $99.3 million in tax-exempt business, all for international equities.

Clients include Corning Glass, The Common Fund, Scott Paper and IMF.

The partners are the chief investment officers; Eyk Van Otterloo is the client contact.

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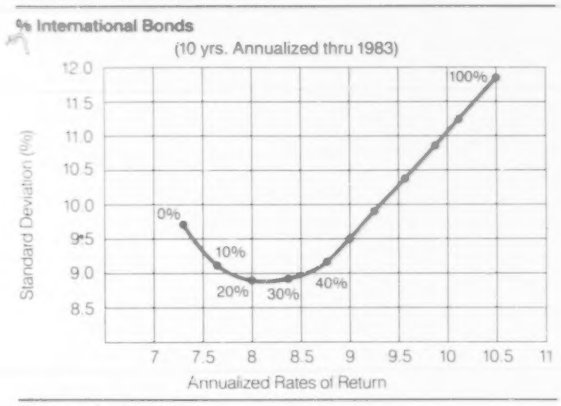

Source: InterSec Research Corp.

Jay A. Dirnberger, Managing Director
JULIUS BAER INVESTMENT MANAGEMENT INC.

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NEW YORK, N.Y. 10017
(212) 949-9055

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LONDON EC3V 9ER
(01) 623-4211

Hambro International Venture Fund

17 E. 71st St., New York, N.Y. 10021; (212) 288-7778

Total assets committed	$60,000,000
Tax-exempt assets committed	$39,000,000
Tax-exempt limited partners	24

Hambro International Venture Fund, an affiliate of London's Hambro Bank, was founded in 1982.

It invests in a wide range of situations from start-ups to leveraged buyouts. It also seeks diversity by deploying capital in mature technology areas.

Industry preferences include electronics/computer related, telecommunications, software, medical products and services, consumer electronics, broadcasting and publishing.

The firm also has an office in Boston at (617) 722-7055.

The principals are Edwin A. Goodman, Arthur C. Spinner, Anders K. Brag, Robert S. Sherman and Richard A. D'Amore.

Harris Bretall Sullivan & Smith Inc.

1 Post St., Suite 2300, San Francisco, Calif. 94104; (415) 391-8040

Total assets managed	$900,000,000
Tax-exempt assets managed	
Total	$800,000,000
Fully discretionary	$800,000,000
Minimum separate account	$5,000,000
Tax-exempt clients	
Commingled accounts	2
Separate accounts	35
Types of accounts managed	CEFGJ
No. of portfolio managers	5
Size of research staff	1

Harris Bretall Sullivan & Smith has equity, fixed-income and balanced capabilities.

Its uses sector rotation and quantitative analysis in its equity approach. The firm employs a quantitative valuation model to determine attractiveness of stocks generally. Using a universe of high-quality companies, the firm builds its portfolios around stocks in the most appealing economic sectors. If the market appears overvalued, it raises cash.

Its fixed-income approach uses interest rate anticipation. It is an extension of the firm's equity management style in that the trend of interest rates is a vital component of its quantitative modeling work.

The mix of the tax-exempt assets Jan. 1 was 90% stocks and 10% bonds for equity accounts. Balanced accounts were 60% stocks and 40% bonds.

In 1984, the firm had a net gain of $560 million in tax-exempt business; it added 10 clients.

It follows 220 stocks closely and 300 generally; 60% of the research is generated internally.

Clients include Alameda County, Northern California Retail Food Clerks, Clorox and University of Colorado.

David L. Harris, W. Graeme Bretall, John J. Sullivan and Henry B.D. Smith are chief investment officers. Mr. Sullivan is the client contact.

Kanawha Valley Bank

P.O. Box 1793, Charleston, W. Va. 25326; (304) 348-7081

Total assets managed	$422,000,000
Tax-exempt assets managed	
Total	$104,000,000
Fully discretionary	$94,000,000
Tax-exempt clients	
Commingled	347
Separate	70
Types of accounts managed	CEFGJ
No. of portfolio managers	5

Kanawha Valley Bank has equity, fixed-income, balanced and real estate capabilities.

It uses a blend of growth stocks and emerging companies within a context of market timing. Significant emphasis is directed toward sell decisions.

For fixed income, the approach is primarily passive. A blend of floating-rate instruments, zero coupons and intermediate Treasury issues are used.

Real estate now is limited to mortgage purchases for tax-exempt accounts.

The tax-exempt asset mix Jan. 1 was 48% stocks, 45% bonds and 7% interest-bearing deposits.

In 1984, the bank had a net gain of $25 million in tax-exempt business.

It follows 60 stocks closely and 100 generally; 10% of the research is generated internally. Limited use is made of options.

William J. Wykle, vice president and senior investment officer, is the chief investment officer. Harold E. Neely, vice president, is the client contact.

Kempner Capital Management

P.O. Box 119, Galveston, Texas 77553; (409) 765-6671

Total assets managed	$200,000,000
Tax-exempt assets managed	
Total	$72,000,000
Fully discretionary	$72,000,000
Tax-exempt clients	153
Types of accounts managed	CEFGJ
No. of portfolio managers	1

Kempner Capital Management, an equity manager, bases its investment approach on Graham & Dodd analysis. The objective is to generate a total return, including capital growth and dividends, greater than the inflation rate over a minimum of three to five years while minimizing downside risk.

For fixed income, the firm uses a passive — buy and hold — approach.

The tax-exempt asset mix Jan. 1 was 75% stocks, 20% cash and 5% convertible debentures.

The firm follows 50 stocks closely and 100 generally. Options are used.

Clients include MCI, Meadows Foundation and Our Lady of the Lake University.

Harris L. Kempner Jr., president, is the chief investment officer. Donna Gindrup, vice president, is the client contact.

Kennedy Capital Management Inc.

425 N. New Ballas Road, Suite 181, St. Louis, Mo. 63141; (314) 432-0400

Total assets managed	$60,000,000
Tax-exempt assets managed	
Total	$51,000,000
Fully discretionary	$51,000,000
International assets managed	$3,000,000
Minimum separate account	$250,000
Tax-exempt clients	45
Types of accounts managed	CEFJ
No. of portfolio managers	3
Size of research staff	2

Kennedy Capital Management Inc., an equity manager, invests in growth or emerging growth companies with improving fundamentals including earnings acceleration with below-average p/e for their industry.

Its fixed-income approach is based on income and growth. The firm believes most income positions also provide some opportunity for equity growth, i.e. convertibles, capital gains.

The tax-exempt asset mix Jan. 1 was 82% stocks, 9% bonds, 6% cash, 1% mortgage-backed securities and 2% mutual funds.

The firm had a net gain of $12 million in tax-exempt business last year. It added 11 clients.

The firm follows 150 stocks closely, and more than 5,000 generally. It generates 40% of its research internally. It uses covered options.

Clients include Copperweld, Community Federal Savings & Loan, Whittaker and Stetson University.

Gerald T. Kennedy, president, is the chief investment officer; and Ron Schafer, vice president, is the client contact.

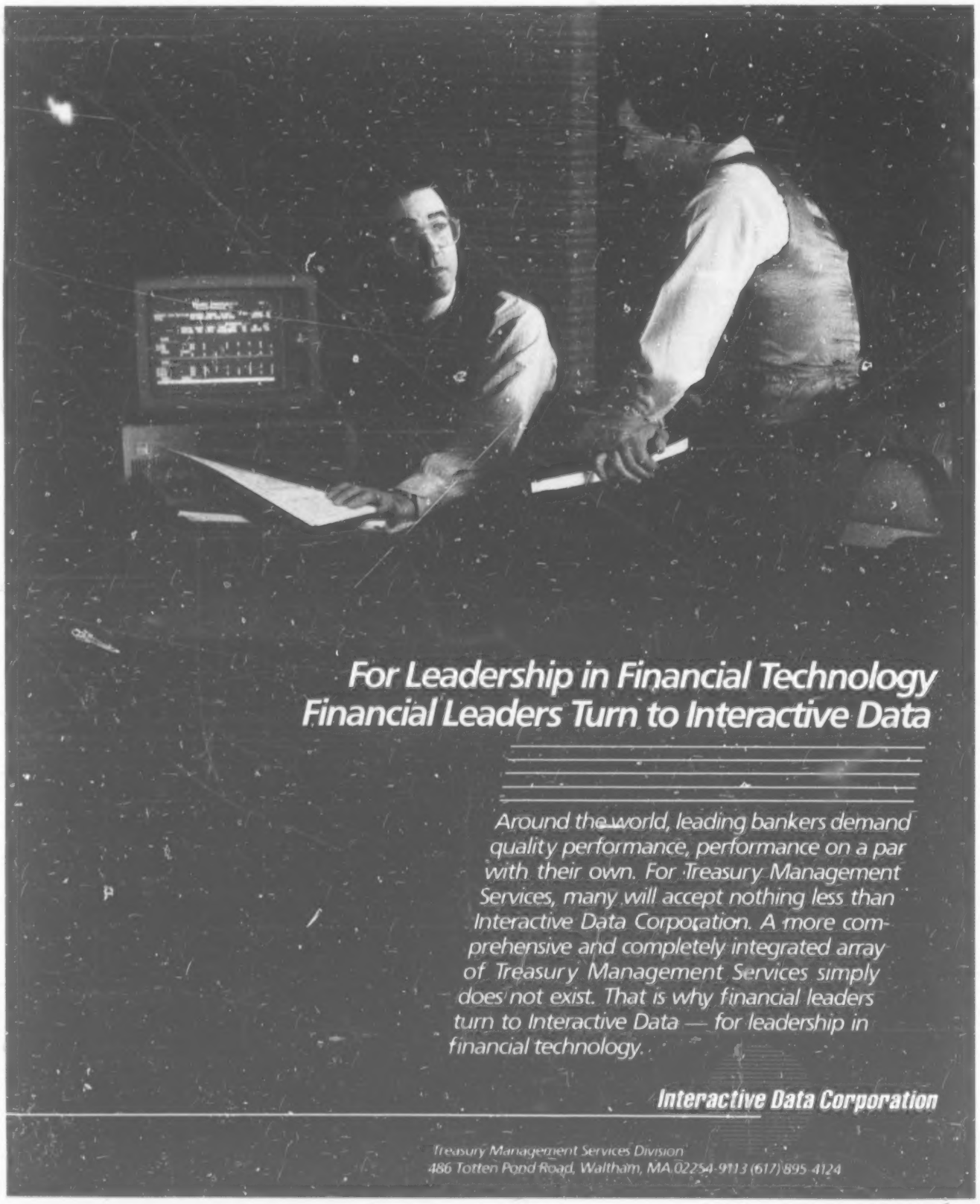
Langdon Investment Advisors Inc.

5722 Valverde #B, Houston, Texas 77057; (713) 785-7586

Total assets managed	$0

Key to abbreviations

C: Corporate accounts
E: Educational endowments
F: Private foundations
G: State and local gov'ts.
J: Jointly trusteed funds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486 Totten Pond Road, Waltham, MA 02254-9113 (617) 895-4124

Companies increased assumed return in '84

CHICAGO — The assumed rate of return used to determine the actuarial present value of accumulated pension plan benefits rose slightly in 1984 to 8.12% from 8.09%, a survey of 200 corporate annual reports shows.

The average assumed rate of return has increased each year since 1980, when Charles D. Spencer & Associates Inc., Chicago, first began the survey.

The survey also found plans using Pension Benefit Guaranty Corp. rates had the most volatile interest rates. Reported rates ranged from 5% to 15.6%, with utilities lagging other industry groups and with automotive and farm machinery manufacturers running ahead.

More than 10% of the companies surveyed invested some pension assets in an immunized or dedicated bond portfolio.

The survey found 83% of the pension funds had more than enough assets to pay all vested and non-vested benefits on a termination basis.

Slightly more than half of the plans, 56.3%, reported lower pension contributions in 1984. Reasons cited include adequate funding of the plan, good investment returns, fewer employees and a change in actuarial assumptions. Only three companies requested waivers of minimum funding from the IRS.

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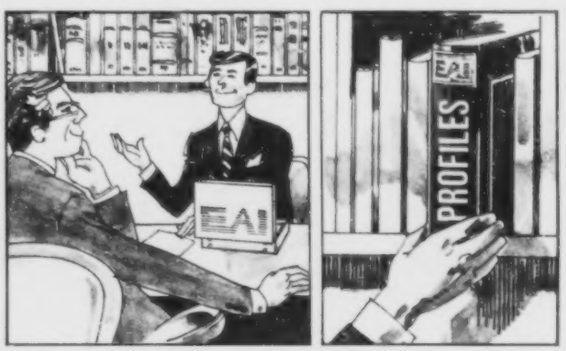

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Dan Dorfman

Bonds lose attraction

By Dan Dorfman

BONDS, the single hottest investment of the past 12 months, have had it.

That, in effect, is the word from money management whiz Michael Steinhardt.

In brief, Mr. Steinhardt, the chief architect of one of Wall Street's greatest success stories, recently dumped $400 million in bonds after racking up a $25 million profit on them between January and July. It was his second major bond killing in recent years. Back in 1982, he made a $250 million bond wager; that one produced a $40 million profit.

Now, though, the head of Steinhardt Partners, a three-fund, $400 million money management complex, is shunning all bonds, save for an occasional fast trade, because, as he puts it — "the bond game for now is over."

This is a far cry from his thinking in January when Mr. Steinhardt, after his big bond-buying spree, said in an interview that he expected bonds to be one of the year's biggest money-makers. At the time, he estimated they could turn in a snazzy gain of close to 20% (factoring in both income and capital appreciation).

As it turned out, bonds (notably long-term corporate and government instruments) racked up roughly a 20% rise this year, extending their advance to about 40% or so during the past 12 months. In recent weeks, they have given up about 5% to 6% of their gains.

Why so negative on bonds now?

Because, as Mr. Steinhardt sees it, interest rates have just about hit their lows for the current business cycle and should begin a meaningful upward move.

In fact, Mr. Steinhardt thinks investors should be looking to sell bonds short in the near future. (A short sale is a bet on lower, rather than higher, prices.)

Mr. Steinhardt's interest-rate guru, George Henry, a partner in the firm and formerly an economist and associate director of the international finance division of the Federal Reserve, spelled out the reasons for the projected climb in interest rates.

Under his scenario, bonds should get hit for a 20% loss during the next six to nine months.

For starters, he said, "The weakness in the economy is over and we should have good to very good growth for at least a year." He figures the gross national product in this period should grow 4% or more, spurred by nine months of double-digit advances in the money supply (checking accounts and all currency in circulation).

The kind of GNP growth Mr. Henry is forecasting should raise the specter of future inflation. That, in turn, should lead to higher interest rates.

Mr. Henry looks to a continuing decline in the U.S. dollar against foreign currencies as another upward pressure on interest rates.

This year, the dollar is off anywhere from about 9% to 15% from its March peak. Mr. Henry sees the declining greenback trend continuing because of the government's inability to reduce or eliminate the budget deficit.

In turn, a declining dollar will increase the price of foreign goods, according to Mr. Henry.

"And if the price of Toyota goes up, it will give General Motors the courage to also increase its prices," he said.

Here again, he is pointing to another inflationary stimulus and another upward pressure on rates.

Mr. Henry calculates the yields on long-term government bonds, now about 10¾%, should rise to 11½% to 12% during the next six to nine months.

That might not seem like a big deal, but the financial markets have a tendency to overreact and so the yields could go even higher — perhaps to as much as 13%, he said.

(As yields go up, bond prices go down to bring the fixed bond rate in line with the changes in the market rates.)

As for the prime rate, Mr. Henry sees it rising another 1% to 1½% from its current 9½%.

Whether Steinhardt Partners is on the money with its bearish bond outlook remains to be seen. But based on the firm's record, the Steinhardt-Henry duo clearly merits a respectful hearing.

Using the firm's oldest fund as a measurement of performance — also called Steinhardt Partners (with assets of $166 million) — a dollar put in that fund when it started 18 years ago would now be worth an amazing $67.31 (after partner's fees).

That same dollar invested in the Standard & Poor's 500 stock index would be worth $4.33. Significantly, a number of super, but at times early, bond calls made a major contribution to that record.

(c) 1985 News America Syndicate

Minimum separate account	$200,000
No. of portfolio managers	1
Size of research staff	1

Langdon Investment Advisors, formed in March 1985, is an equity manager. Its approach uses growth stock, sector rotation, Graham & Dodd analysis and market timing. When the market looks undervalued and oversold, the firm looks for growth stocks. When fully valued and overbought, it buys cheap assets.

The firm follows 20 stocks closely and 40 generally. It generates 20% of its research in-house.

Gregory Dillon is a client.

Lester M. Langdon is the chief investment officer and client contact at (713) 963-8191.

Louisiana National Bank of Baton Rouge

P.O. Box 1511, Baton Rouge, La. 70821; (504) 389-4259

Total assets managed	$689,000,000
Tax-exempt assets managed:	
Total	$436,000,000
Fully discretionary	$436,000,000
Minimum separate account	$500,000
Tax-exempt clients:	
Commingled	262
Separate	108
Types of accounts managed	CEFGJ
No. of portfolio managers	3

Louisiana National Bank has equity and fixed-income capabilities. Its equity approach uses growth and emerging growth stocks, sector rotation and market timing. Emphasis is on overweighting sectors with both growth and economically sensitive issues.

Its fixed-income approach is passive and uses interest rate anticipation. Accounts are tailored to satisfy the client's risk tolerance.

The tax-exempt asset mix Jan. 1 was 55% stocks, 40% bonds, and 5% cash.

In 1984, the firm gained $83 million in tax-exempt business; 35 clients were added.

It follows 50 stocks closely and 250 generally; 10% of the research is generated internally.

Clients include Exxon, Gulf States Utilities, Louisiana state police and Louisiana firefighters.

Donald E. Allred, vice president and trust investment officer, is chief investment officer. Errol Gautreau, vice president, is the client contact.

John McMahan Associates

201 California St., Suite 400, San Francisco, Calif. 94111; (415) 433-7770

Total assets managed	$288,000,000
Tax-exempt assets managed:	
Total	$238,000,000
Fully discretionary	$138,000,000
Real estate assets managed	$88,000,000
Minimum separate account	$30,000,000
Tax-exempt clients	8
Types of accounts managed	CG

John McMahan Associates is a real estate manager.

As of Jan. 1, all the tax-exempt assets were invested in equity real estate.

In 1984, the firm had a net gain of $10 million in new tax-exempt business; one client was added.

Clients include Honeywell, Florida Power & Light, the University of California and the state of Connecticut.

John McMahan, president, is the chief investment officer. J. Raymond Walker, vice president, is the client contact.

Morison Asset Management

1201 Marquette Ave., Minneapolis, Minn. 55403; (612) 332-1588

Total assets managed	$130,000,000
Tax-exempt assets managed	
Total	$115,000,000
Fully discretionary	$115,000,000
Real estate assets managed	$15,000,000
International assets managed	$8,000,000
Minimum separate account	$500,000
Tax-exempt clients	110
Types of accounts managed	CEFJ
No. of portfolio managers	4
Size of research staff	2

Morison Asset Management is a balanced manager. For its equity approach it concentrates core stocks in dominant companies in sectors with secular growth. Smaller investments are in special situation, rapid-growth companies with underlying fundamental strength. Increasing attention is given to foreign markets.

For fixed income the firm uses interest rate anticipation and relies on fixed-income securities offering quality and liquidity. It uses only Treasuries and federal agency bonds with falling rates. It searches out the highest CD return available with rising/high rates.

As of Jan. 1, the tax-exempt asset mix was 40% stocks, 37% bonds, 13% mortgage-backed securities and 10% cash.

A net gain of $20 million in new tax-exempt business for 1984 was made in balanced accounts.

The firm follows 129 stocks closely and 160 generally. Between 30% and 40% of its research is generated internally.

Clients include Health Central, North Memorial Hospital and Schoell & Madsen.

Thomas J. Morison, chairman of

the board, is the chief investment officer; Ronald R. Halverson, assistant vice president, is the client contact.

Neville, Rodie & Shaw Inc.

200 Madison Ave., New York, N.Y. 10016; (212) 725-1440

Total assets managed	$370,000,000
Tax-exempt assets managed:	
Total	$116,000,000
Fully discretionary	$300,000,000
Real estate assets managed	$13,000,000
Minimum separate account	$500,000
Types of accounts managed	CEFJ
No. of portfolio managers	5

Neville, Rodie & Shaw offers equity and balanced management.

For equities, it uses growth and low p/e stocks. Its passive fixed-income approach uses interest rate anticipation.

The tax-exempt asset mix Jan. 1 was 62% stocks, 29% bonds and 9% cash.

The $13 million invested in real estate was in real estate investment trusts.

The firm follows 175 stocks closely an.. 300 generally.

Norman S. Walker, president, is the chief investment officer. David Campbell, vice president, is the client contact.

The Penn Mutual Life Insurance Co.

530 Walnut St., Philadelphia, Pa. 19172; (215) 625-5000

Total assets managed	$4,270,000,000
Tax-exempt assets managed:	
Total	$1,056,000,000
Fully discretionary	$1,056,000,000
Tax-exempt clients:	
Pooled	2,341
GICs	618
Other	1,600
Types of accounts managed	CGJ
No. of portfolio managers	6
Size of research staff	5

The Penn Mutual Life Insurance Co. offers equity, fixed-income and real estate management.

Its equity approach uses growth stock. Several pooled separate accounts and funds are managed, each with a different approach depending upon investment objectives.

Its fixed-income approach uses interest rate anticipation and sector analysis.

Private and public real estate syndications are offered through Indepro Inc., a subsidiary company.

The tax-exempt asset mix Jan. 1 was 33% stocks, 6% bonds and 61% short term (money market).

Of the more than $1 billion managed, $62 million is in pooled accounts, $279 million is in GICs and $477 million is in other annuities.

The firm follows 100 stocks closely and 400 generally.

Kenneth M. Miller is senior vice president and chief investment officer. Borden W. Ayers, assistant vice president-pension marketing and sales, is the client contact.

The Portfolio Group Inc.

30 Rockefeller Plaza, 57th Floor, New York, N.Y. 10112; (212) 621-2725

Total assets managed	$1,300,000,000
Tax-exempt assets managed:	
Total	$154,000,000
Fully discretionary	$109,000,000
Minimum separate account	$300,000
Tax-exempt clients:	
Commingled	106
Separate	32
Types of accounts managed	CEFJ
No. of portfolio managers	14
Size of research staff	3

The Portfolio Group Inc. is an equity, fixed-income and balanced manager.

The firm uses a company-oriented stock selection approach to build equity portfolios. It buys stocks of companies with high returns on invested capital and reasonable p/e ratios.

For fixed income, the firm is a duration manager whose primary decision is driven by interest rate forecast, which in turn drives the duration of the portfolio. It is a more gradual approach than interest rate anticipation. The firm has a market return-oriented approach. It captures characteristics of the Shearson Lehman Government/Corporate Bond Index for duration, maturity, current coupon and sector diversification.

The tax-exempt asset mix Jan. 1 was 50% stocks, 45% bonds and 5% cash. A net gain of $90 million was made in tax-exempt business in 1984; 116 clients were added.

The group follows 100 stocks closely and 300 to 700 generally. Three-fourths of the research is generated internally.

Clients include News America, Rockaway, AVX and Hammacher Schlemmer.

Stephen B. Timbers is executive vice president and chief investment officer. James M. O'Donnell, senior vice president and director of sales, is the client contact.

PRO Services Inc.

5 Sentry Parkway West, Suite 120, Blue Bell, Pa. 19422; (215) 825-0400

Total assets managed	$122,000,000
Tax-exempt assets managed	$0
Minimum separate account	$10,000,000
No. of portfolio managers	3
Size of research staff	4

PRO Services is an equity manager, stressing growth and emerging stock. Its expertise is in the health care equity sector.

Its fixed-income approach uses interest rate anticipation and sector analysis. Using several econometric models, the firm tries to anticipate interest rate pressure and shift average maturity within moderate limits. It also uses special-feature bonds (sinking fund) and sector analysis.

It follows 300 stocks closely and 400 generally; 100% of the research is generated internally.

George J. Stasen, chairman, is the chief investment officer. John Cannon, president, is the client contact.

Sheffield & Co. Inc.

900 Circle 75 Parkway, Suite 750, Atlanta, Ga. 30339; (404) 953-1597

Total assets managed	$9,000,000
Tax-exempt assets managed:	
Total	$7,000,000
Fully discretionary	$7,000,000
Minimum separate account	$125,000
Tax-exempt clients	35
Types of accounts managed	CJ
No. of portfolio managers	1

Sheffield & Co. is a balanced manager.

Its equity approach uses low p/e stock and Graham & Dodd analysis. It acquires generally out-of-favor stocks having relatively low p/e and price/book ratios in which earnings turnarounds are forecast.

Its fixed-income approach uses interest rate anticipation. The firm looks to broad movements in interest rates relative to the inflation cycle as opposed to short-term expectations of rate movement.

The tax-exempt asset mix Jan. 1 was 45% stocks, 44% bonds, 10% cash and 1% mortgage-backed securities.

Sheffield & Co. had a net gain of $2 million in new tax-exempt business last year from six clients.

Thirty stocks are followed closely and 1,700, generally. Sheffield generates 75% of its research internally. Options are used.

Roger Sheffield is the chief investment officer and the client contact.

State Mutual of America

440 Lincoln St., Worcester, Mass. 01605; (617) 852-1000

Total assets managed	$3,726,000,000
Tax-exempt assets managed:	
Total	$1,346,000,000
Fully discretionary	$1,260,000,000
Real estate assets managed	$385,000,000
Tax-exempt clients:	
Pooled	220
GICs	626
Other	602
Types of accounts managed	CEFG
No. of portfolio managers	6
Size of research staff	9

State Mutual of America has equity, fixed-income and real estate capabilities.

They use outside managers for the bulk of their actively managed equities. These managers include Batterymarch and Lehman Brothers and follow various approaches.

Its fixed-income approach uses in-

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terest rate anticipation.

The tax-exempt asset mix Jan. 1 was 58% stocks, 16% bonds, and 26% cash.

State Mutual uses options and fixed-income futures.

In 1984, the firm had a net gain of $176 million in tax-exempt business; 256 clients were added.

Edmund T. Bennett, vice president and chief investment officer, is the client contact.

Suburban Bank

6610 Rockledge Drive, Bethesda, Md. 20817; (301) 493-2909

Total assets managed	$350,000,000
Tax-exempt assets managed:	
Total	$80,000,000
Fully discretionary	$75,000,000
Real estate assets managed	$1,000,000
Minimum separate account	$500,000
Tax-exempt clients:	
Commingled	21
Separate	63
Types of accounts managed	CEFGJ
No. of portfolio managers	4
Size of research staff	2

Suburban Bank has equity, fixed-income and balanced capabilities. Suburban Bank takes a fundamental bottom-up approach toward equity investments, highlighting stocks with low absolute or relative p/e ratios, earnings momentum and improving financial quality.

For fixed-income management, equal emphasis is placed on sector analysis, interest rate anticipation and yield curve analysis.

Real estate investment is geared toward limited partnerships or REITs.

The tax-exempt asset mix Jan. 1 was 40% stocks, 52% bonds, 7% cash and 1% mortgage-backed securities.

In 1984, the bank had a net gain of $18 million in tax-exempt business from 17 new clients.

It follows 80 stocks closely and 300 generally; 50% of the research is generated internally.

Stephen C. Thormahlen, vice president and manager-investment advisory division, is the chief investment officer. Carl O. Brudin Jr., vice president, is the client contact.

Tucker Anthony Management Corp.

3 Center Plaza, Boston, Mass. 02108; (617) 725-1757

Total assets managed	$1,166,000,000
Tax-exempt assets managed:	
Total	$82,000,000
Fully discretionary	$23,000,000
Minimum separate account	$1,000,000
Tax-exempt clients	50
Types of accounts managed	CEFG
No. of portfolio managers	6
Size of research staff	5

Tucker Anthony Management Corp. has equity, fixed-income and balanced capabilities.

Its equity approach uses growth and emerging growth stocks and Graham & Dodd analysis. Its disciplined philosophy seeks consistent returns. Essential elements in its strategy are grouping equities by risk characteristics, specific asset allocation targets, quality orientation and valuation criteria. This results in a clear sales discipline and diversified, high-quality portfolios.

For fixed-income, extreme long-term positions are seldom taken. Shifts in maturity schedules are gradual. U.S. securities are central to the strategy, with maturities usually laddered for further diversification.

The tax-exempt asset mix as of Jan. 1 was 21% stocks, 59% bonds and 20% cash.

In 1984, the firm had a net gain of $2.8 million in new tax-exempt business, adding four clients.

It follows 20 stocks closely and 100 generally. It uses options.

Clients include Massachusetts Eye & Ear Infirmary, City of Gloucester Retirement System, Boston Teachers Union and Weber Charities Corp.

William F. Bell, managing director, is the chief investment officer. William C. Swan, vice president, is the client contact.

Tuttle & Noroian Inc.

The World Trade Center, San Francisco, Calif. 94111; (415) 421-9350

Total assets managed	$200,000,000
Tax-exempt assets managed:	
Total	$170,000,000
Fully discretionary	$170,000,000
Minimum separate account	$500,000
Tax-exempt clients	140
Types of accounts managed	CEFGJ
No. of portfolio managers	4
Size of research staff	4

Although classified primarily as an equity management shop specializing in ERISA mandated funds, Tuttle & Noroian Inc. actively manages assets on a market-timing basis coupled with pure Graham & Dodd valuation analysis. Accounts are individually managed on a discretionary basis that includes all equity, debt and cash equivalents for managed accounts.

Principals of the firm are Jason B. Tuttle Sr., chairman, and Steven A. Noroian, president. John R. Deller, vice president, is the client contact.

United States Trust Co., Boston

40 Court St., Boston, Mass. 02108; (617) 726-7250

Total assets managed	$350,000,000
Tax-exempt assets managed:	
Total	$190,000,000
Fully discretionary	$190,000,000
Minimum separate account	$1,000,000
Tax-exempt clients:	
Commingled	85
Separate	74
Types of accounts managed	CEFGJ
No. of portfolio managers	6
Size of research staff	2

United States Trust Co., Boston, is an equity, fixed-income and balanced manager.

Sector rotation, Graham & Dodd and quantitative analysis and market timing are used in the equity approach. Top-down asset allocation and MPT risk-return analysis are used to determine asset mix and stock market sector weightings. Individual security selection stresses consistent financial performance and relative value.

The bank's fixed-income management employs interest rate anticipation. Desired maturities are chosen on the basis of interest rate anticipation. Bond sectors are chosen based on yield spread and liquidity considerations.

The tax-exempt asset mix Jan. 1 was 52% stocks, 47% bonds and 1% cash.

A net gain of $45 million was made in tax-exempt business for 1984; 15 clients were added.

United States Trust follows 70 stocks closely and 150 generally. It generates 60% of its research internally.

Clients include Harvard Community Health Plan, New York Legal Aid Society, Yale University and Boston Pipefitters.

Domenic Colasacco, senior vice president, is the chief investment officer; Robert A. Lincoln, vice president, is the client contact.

Key to abbreviations

C: Corporate accounts
E: Educational endowments
F: Private foundations
G: State and local gov'ts.
J: Jointly trusteed funds

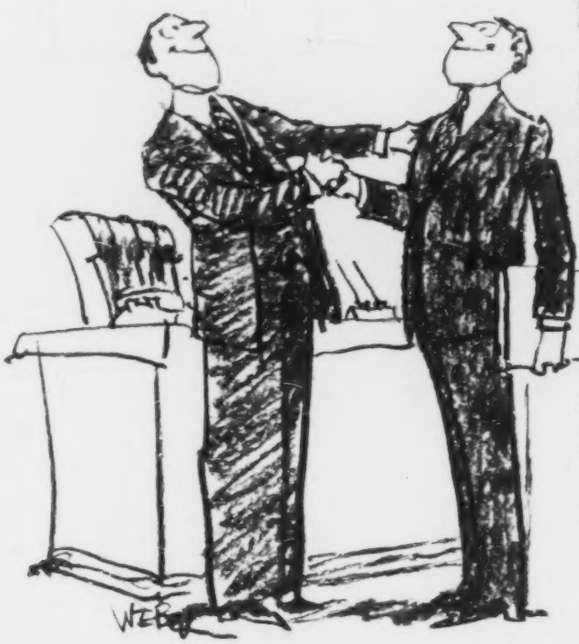
Views on plans split, study finds

BROOKFIELD, Wis. — The role of pension plans in labor-management relations affects the ultimate distribution of benefits and control over the funds, according to a study published by the International Foundation of Employee Benefit Plans.

The study by Teresa Ghilarducci, assistant professor of economics at the University of Notre Dame, found labor views pension benefits as workers' deferred wages and demands they be managed in the participants' interest.

Management, she said, views pension assets as a source of capital to pay for future liabilities. She said that management believes as long as these liabilities are paid, they can use the pensions for any purpose.

Partners



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FASB rapped . . .

Continued from page 3

• IBM's pension plan was overfunded using both the FASB and the projected salary methods, according to its annual report.

Under the FASB guidelines, the plan had $7.3 billion in vested and nonvested liabilities and $11.4 billion is assets. Including future salary estimates, the liabilities totaled $10.3 billion, allowing IBM to show less overfunding.

Mr. Langton said, "What FASB needs to come up with is a method so someone can determine what is the *real* funded status of this plan." He said IBM has been qualifying the FASB footnote for about four years.

• In their first annual reports, NYNEX Corp., New York; U S WEST Inc., Englewood, Colo.; American Information Technologies Corp., Chicago; and the other Bell regional companies published similar statements assailing the accounting standard.

In paragraphs nearly identical to the phrasing used for at least the last two years by their former parent, AT&T, the Bell regional companies' reports said: "The determination of actuarial present value of accumulated plan benefits is essentially a 'plan termination' type calculation, which uses methods and assumptions which are not the same as those used to determine current year pension costs."

(As utilities, the Bell regional companies aren't included in the accompanying Wright chart of 100 industrial companies on pages 44 and 45.)

• Lockheed Corp., Burbank, Calif., followed the FASB calculations in its annual report — vested and nonvested liabilities of $2.39 billion, assets of $3.14 billion — with the statement:

"The company believes this methodology is not realistic. Under the assumption that the plans will continue and that retirement benefits will be provided in accordance with the provisions of the plans, the present value of the anticipated costs of benefits to be paid is substantially more than the market value of net assets available for such benefits as of the balance sheet date."

• Ohio Edison Co., Akron, which showed accumulated plan benefits of $216 million and available assets of $317 million in 1984, obliquely rebuked the FASB method by saying, "differences between funding bases and reporting requirements can have a significant effect on the comparisons above." (As a utility, Ohio Edison isn't included in the accompanying Wright chart on the 100 industrial companies.)

• Exxon Corp., New York, without any statement about the FASB, simply shows accrued liabilities ($2.9 billion) and projected liabilities (another $719 million) for total liabilities of $3.6 billion. The treatment diminishes Exxon's overfunding to $1.3 billion from $2.2 billion on a FASB termination basis.

The Exxon figures illustrate that some companies are becoming overfunded on a projected salary basis, as well as an accrued or termination basis.

The number of companies overfunded on a projected basis isn't known, since companies aren't required to publish such data.

A survey by Oppenheimer & Co., New York, of the Standard & Poor's 400 industrial companies (again excluding AT&T), showed 73% of the firms had overfunded plans as of 1984, up from 70% in 1983 and 60% in 1982.

Their aggregate overfunding totaled $43.6 billion in 1984, up from $36.1 billion the previous year.

Not all companies fare as well.

According to the Wright survey, the two largest automobile companies showed sharp funding drops, mainly due to improved labor contracts.

• Ford Motor Co.'s plan had a reversal of nearly $1 billion. In 1984, the Dearborn, Mich., firm reported a deficit of $220 million, compared with a surplus of $760 million in 1983. During last year, Ford's assets grew 4.9%, while its vested liabilities swelled 18.7%.

• General Motors Corp., New York, showed a reversal of $647 million in its plan. Its 1983 deficit of $111.5 million grew to $758.9 million. Its assets grew 7.3%, while its vested liabilities increased 10.8%.

• Chrysler Corp., Detroit, contrary to its two major competitors, showed a sharp improvement in funding. In 1984, it put $1.4 billion of its $2.2 million in pension assets in a dedicated bond portfolio yielding an estimated 14%; in addition, it hasn't negotiated a new labor contract yet.

Chrysler's assets rose by 21%, while its vested liabilities dropped by 5.7% from 1983 to 1984. Its deficit improved to $345 million from $946.6 million.

Among other data in the Wright survey of 100 companies (excluding AT&T), based on data from 1984 annual reports:

• Assets totaled $179.3 billion in 1984, up 10.1% from $162.9 billion the previous year.

• Vested liabilities in 1984 were up 9.7% to a total of $144.5 billion from $131.7 billion.

• Eight companies, including the three largest automakers, had underfunded plans in 1984, with their aggregate vested liabilities deficit of $3.8 billion.

• By contrast in 1983, more companies (11) had underfunded plans, but their aggregate deficit was slightly smaller, $3.7 billion.

• Pension expense for the 100 companies (excluding AT&T) dropped almost 37% in 1984, to $12 billion from $19.1 billion in 1983.

• Thirty-one companies raised their assumed rate of return, which improves funding position and helps lower pension expense. Eleven firms lowered that assumption.

• The assumed returns ranged from 6% by Digital Equipment Corp., Maynard, Mass., to 15.6% by International Harvester Co., Chicago.

• Sixty-one of the companies used assumed returns ranging from 8% to 9.8%.

The biggest changes in assumed returns were made by Armco Inc., Middletown, Ohio, raising its rate to 13.5% from 8.5%, Mobil Oil Corp., New York, to 9% from 6%, and Signal Cos. Inc., La Jolla, Calif., to 11.5% and 7.5%.

Among other data in the Wright survey, several firms with large overfunded plans showed large declines in the surplus. U.S. Steel Corp., Pittsburgh, showed its surplus fell by $1.1 billion, to $789 million. Amoco Corp., Chicago, reported its overfunding dropped to $100 million from $201 million. Westinghouse Corp., Pittsburgh; Shell Oil Co., Houston; Martin Marietta Corp., Bethesda, Md.; and Dow Chemical Co., Midland, Mich., also reported surplus declines of more than $100 million each.

Other firms reported large gains in their surplus. The biggest was a $1.19 billion increase by IBM, to a surplus of $4.4 billion. Mr. Langton attributed the rise to a good investment performance and an increase in its assumed return to a rate between 7.5% and 5.5% from a straight 5.5%.

GE reported its surplus rose by $1.1 billion to $3.3 billion.

Exxon's surplus grew by $573 million to $2.1 billion. A company official attributed the rise to an unspecified good investment performance and a lowering of liabilities by raising its assumed return to 10% from 8.3%. ■

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Manville plan . . .

Continued from page 3

claims and $200 million in cash on hand and short-term receivables.

Manville filed for protection under federal bankruptcy laws in August 1982 after being beseiged by thousands of lawsuits from individuals claiming health problems after using Manville's asbestos products. Manville has been searching for a vehicle since then that would allow it to continue to operate while curbing the mounting legal aspects of the asbestos claims.

The agreement approved by Manville and claimants represented by New York attorney Leon Silverman faces opposition from shareholders, creditors and property claimants.

But, according to sources close to the situation, some form of the agreement as proposed probably will be approved by the bankruptcy court now that it has the approval of the two major litigants.

Manville employees would escape the bite of the dilution if the plan is adopted.

Manville began converting its employee stock ownership program to alternative investment vehicles in 1982 after filing for bankruptcy, said Mr. Neill. He said no Manville stock has been contributed to the company's thrift plans since June 1982.

After the company filed for bankruptcy, employees were offered the chance to sell their Manville ESOP shares and enter into a new, multifaceted investment program including a money market fund, an equity fund and a guaranteed investment contract fund, he said. Most employees sold their Manville stock, he said.

Institutional holders of Manville stock were cautious in their response to the settlement package. Some said they don't fully understand what is taking place while others said they are receiving conflicting reports.

Barbara T. Alexander, an analyst for Salomon Brothers Inc., said equity holders "will be opposed to the reorganization for obvious reasons" and "it (the settlement proposal) is almost certain to end up in the Supreme Court."

"Common (equity) interests would be diluted substantially — between 50% and 80% — but most believe it will be closer to 80%. The company earned $2.18 per share in 1984. If there is an 80% dilution of current shareholders' interest and if they earned the same thing again, and I'm not predicting that, current equity holders would have an interest of only 44 cents," she said. For equity holders, there is very little upside."

About 25 money managers held positions in Manville as of June 30, representing 34% of the shares outstanding.

None contacted by P&I Age seemed unduly alarmed at the prospect of a radical dilution of their Manville stock. While several had decreased the size of their holdings, only a handful had totally liquidated the stock from their portfolios.

One, whose firm owned 253,000 shares at the end of the first quarter, said he liquidated the stock "because of general market conditions."

John Birmingham, vice president of equity investment at Allstate Insurance Co., Northbrook, Ill., said the company plans to retain its 120,000 shares in its general capital portfolio.

"We would not sell when the market is under the stress of publicity of this kind. This kind of a holding is a one- or two-year proposition," he said.

Bob Torray, president of Torray Clark & Co., Bethesda, Md., is assessing the Manville agreement and the possible dilution effects, said: "It won't do much to me since we don't have that much in it."

"The shares today are probably under-reflective of the long term value of the company . . . We like to buy things others don't like."

Still, he said, Manville is "not typical" of the type of stocks Torray normally likes.

"We bought a lot of it over about a three-year period at low prices and it really doesn't matter to me. I could get my money out of it by selling now. Manville is actually a pretty small holding for us. I could have sold it at 12 or 16 and probably should have in retrospect, but it's too low to sell right now," he said.

Torray Clark is one of the largest holders of Manville stock, with about 4.4 million shares.

"We have about $25 million in it. If it goes to 12 or if it goes to zero, it doesn't matter and won't have a material effect on our work with our clients. We can't make much off it and can't lose much," he said.

Mr. Torray said he looks for a rebound in the Manville stock and compares it to another troubled stock that eventually regained much of its value.

"Manville is a hopelesaly complicated situation . . . but we will eventually do just as well with it as with some stock you could convert to. I'd much rather own Manville than some computer company," he said.

The equity manager at one southern investment management firm with $350 million under management said he would sell his nearly 100,000 shares at "the right price," and said he is still trying to find out what is happening at Manville.

"We are still trying to get a grip on just what the plan is, but we believe the stock price reflects a pretty fair give-up from stockholders to the litigants.

If you have an 80% dilution plus a stream of profits (into the trust), there is not much left. My general view is that Manville is a viable company with a different class of shareholders than normal. The owners of this company are not the common shareholders so much as the litigants," he said.

Mr. Torray said he has already sold several thousand shares of Manville within the past several weeks above current prices (the stock has been trading recently at $6.25). ■

World Bank . . .

Continued from page 1

at the wrong time, they pay higher costs," he said.

"The sum total is passed through to the lending rate, and the whole incentive of the staff is, therefore, to keep that cost as low as possible, and to generate returns by a low cost of debt and the active management of liquidity."

The 10-person U.S. dollar cash management team, which is based in Washington and headed by Hari Findakly, can invest in a variety of investment-grade instruments, although it must invest funds in the currencies in which disbursements are denominated.

While the average maturity of the portfolio stood at about 3½ years in July, the team bases its approach on interest rate anticipation and rides the yield curve in a highly active trading strategy.

Mr. Qureshi believes the World Bank's might be the world's most actively managed portfolio, with a total turnover in fiscal 1985 of about $4 trillion.

Joan Payden, president of Payden & Rygel, Los Angeles, which specializes in short-term funds management, backed up Mr. Qureshi's claim, adding the level of activity is surprising for such a large pool of assets. "I find it exciting because that is what we try to do and I do not know any other large organization with an in-house staff doing it that way," she said.

The portfolio management is so aggressive that the bank's investment managers analyze the trading opportunities lost as well as the trading gains.

But Mr. Qureshi attributes the investment fund's performance to luck as well as to wisdom.

"This year rates dropped and we were wisely positioned, and I don't know that we are going to be so lucky or so wise this year," he said.

In order for the gains to be as great in fiscal 1986, he said, rates would have to drop another four percentage points. He said it is unlikely rates on five-year investments would drop to 6% from 10%, as they dropped to 10% from 14% in fiscal 1985.

The bulk of the portfolio, about 75%, is invested in U.S. dollars, but investments are made in 29 different currencies, primarily in British pounds, French francs, deutsche marks, yen and guilders.

One thing the cash management team has going for it is a strategy that emphasizes a large liquid reserve as a cushion against the vagaries of international markets.

Corporate cash managers generally invest their funds with specific cash flow constraints, tailoring specific payments to meet future outflows of cash. But the World Bank team is free to invest the bulk of its funds for maximum gain.

This is because the liquid assets of the fund represent more than just future committed disbursements. The World Bank sees liquidity as the inverse of borrowing. In order to play into strength in its borrowing program, the bank needs to rely on its liquid reserves during periods of high interest rates, and so management likes to keep its total short-term portfolio as a backstop, said Mr. Rotberg.

Recently the bank has been able to raise sufficient capital in the markets, so its portfolio has been growing fat while the bank borrows at a lower rate than that at which it can reinvest.

The bank's globetrotting capital financing operation, which entails borrowing among any of 14 different currencies, as well its ability to exploit discrepancies between different world markets by using currency swaps, are among the most sophisticated anywhere.

In fiscal 1985, the bank did about $1.4 billion in currency swaps, mainly out of U.S. dollars in which it raised capital and into the currencies from which the disbursements are to be made.

For example, before currency swaps, borrowings in U.S. dollars represented 32% of the bank's total borrowings; after swaps, U.S. dollar borrowing represented only 24%.

Similarly, borrowings in yen, Swiss francs, deutsche marks and Dutch guilders contributed 58% of borrowing before swaps and 70% after swaps in fiscal 1985.

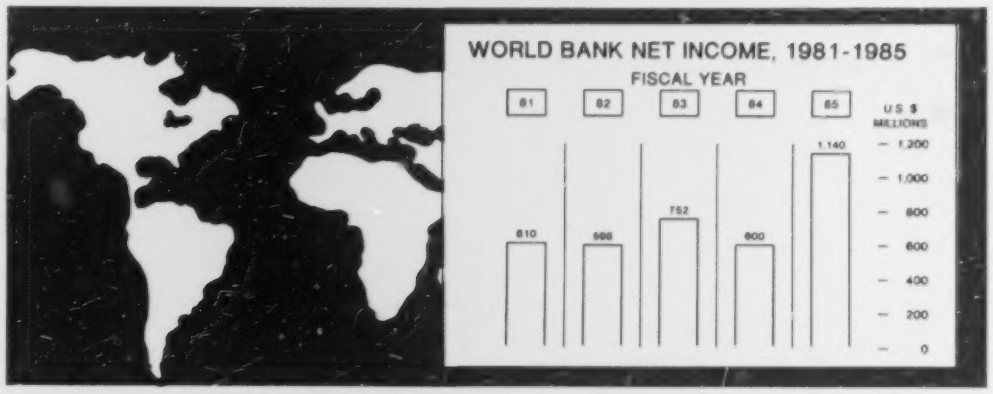
Being a multinational borrower, the bank is able to exploit the lower interest rates available in some non-U.S. dollar markets, although it needs to ensure the final cost to the borrower will be better than the cost would be were the fund to borrow in U.S. dollars and do a currency swap.

"Every time we do a borrowing, the board considers whether, over the life of the loan, the currency will revalue sufficiently against the dollar to make this nominal low interest rate really higher, and this is compounded over each year's difference," said Sheldon Rappaport, senior adviser-finance. He said all the currency risk was carried by the borrower, not by the bank.

From July 1, 1977, to Dec. 31, 1984, the bank's borrower nations could have realized capital gains of more than $6 billion simply from the borrowing programs in Swiss francs, deutsche marks and yen, as opposed to U.S. dollar borrowing, he said.

One hurdle the bank faces in its expansion is that it has a statutory requirement to maintain a 1:1 ratio between loans and capital. Therefore, it will be unable to lend more than about $13 billion capital until it can raise its capital base, primarily by getting additional equity commitments from member countries.

In order to achieve further growth during the next three years, the bank's management will have to have to get various governments to add to the bank's equity base. ■



The World Bank's financial operations trading room.

Arco boosts contribution $11 million

By Alan Krauss

LOS ANGELES — Atlantic Richfield Co. will have to increase its annual pension contribution by about $11 million this year to cover increased employee benefit liabilities resulting from unexpectedly widespread acceptance of an early retirement offer.

The company also will be forced to liquidate holdings from its $2.2 billion pension portfolio to raise cash to meet immediate benefit expenses stemming from the offer, made to employees as part of the company's corporate restructuring plan announced in April.

About 6,000 of Arco's 40,000 employees accepted the offer, said Howard Ockelmann, vice president, adding the subscription rate was about 15% larger than the company's initial projections.

He said more than half the early retirees have opted for lump-sum benefit payments, although many who have accepted the offer have not yet indicated whether they will choose an annuity or a lump-sum payment.

Mr. Ockelmann said the Arco pension fund will need to sell off assets to meet the increased cash flow requirements. He said the trims would affect all asset classes proportionately, but he would not specify the portfolio's current asset mix.

"Obviously, this will reduce the size of the portfolio for some period of time," Mr. Ockelmann said. "But the changes will not be dramatic."

The early retirement offer, which reportedly added up to 10 years of seniority for some employees, created additional pension liabilities for Arco, he said.

"Instantaneously, it created liabilities equal to acceptance of the plan . . . that must be amortized over time," he said. "But at the same time, we have reduced the number of employees, so over the long term the effect will be to reduce company pension expenses."

Mr. Ockelmann said the temporary increase in the company's pension contribution necessitated by the early retirement offer is "modest," amounting to "less than 10%."

Sanford Margoshes, an oil analyst with Shearson Lehman Brothers Inc., said the oversubscription of the offer probably was the reason Arco increased its planned first-quarter write-down by $200 million.

"The company was planning to write off $1.3 billion in the first quarter, and it actually wrote off $1.5 billion," Mr. Margoshes said. "What was important was the increment of $200 million, which was presumably because more people opted to accept the plan than they expected."

But Mr. Margoshes agreed the increased contribution was likely to have little impact on Arco's overall corporate financial picture. "(The $200 million) was a significant hit, but it's in the past now," he said.

"From the pension point of view it probably was significant, but from the corporate gestalt point of view, it was diminimus."

According to Arco's most recent annual report, pension costs were $111 million in 1984, $116 million in 1983 and $116 million in 1982.

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Pensions & Investment Age

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Union Carbide, 4 others terminate plans

By Rose Darby
and Alan Krauss

Five companies are terminating overfunded pension plans for various corporate financing purposes, taking reversions totaling about $715 million.

• Union Carbide Corp., Danbury, Conn., will undertake a spinoff/termination of its $2.8 billion defined benefit plan for salaried and hourly workers to recapture half, or about $500 million, of the surplus assets.

The reversion will help the company recover from the financial effects of last year's massive toxic chemical leak in Bhopal, India, and a smaller gas leak last month at an Institute, W. Va., plant. The termination is part of a massive corporate restructuring at Carbide.

The remaining $500 million of the surplus will be left in the existing plan for active employees after Carbide terminates the one that will be spun off for retirees, according to a source at the company. Carbide executives hope the remaining surplus will not be considered taxable income to the company, the source said.

If the Internal Revenue Service construes the remaining surplus to be taxable income, the company will consider a termination/reestablishment instead, the source said.

• Stauffer Chemical Co., Westport, Conn., will recoup $112 million from terminating two plans with assets of $231.9 million, according to documents filed with the Pension Benefit Guaranty Corp.

The reversion will help buy down debt associated with the $1.25 billion, all-debt purchase in March of Stauffer by Chesebrough-Pond's Inc., Greenwich, Conn.

• Fairchild Industries, Chantilly, Va., plans to terminate three plans, with combined assets of $187 million, to recapture about $48 million for use in existing businesses beset with losses.

• Central Soya Co., Fort Wayne, Ind., is terminating four pension plans, with assets of about $100 million, to recapture an estimated $41.6 million. The move is part of an effort to help finance the leveraged buy-out of the company (*see accompanying story*).

• Bluefield Supply Co., Bluefield, W. Va., plans to terminate its roughly $27 million non-union employee defined benefit plan to use an estimated reversion of $13 million "as working capital and for other corporate purposes," said Jim E. Gillenwater, executive vice president.

The heavy machinery distributor's industrial supplies division has had losses and its appliance divisions have been only marginally profitable.

The main reason Bluefield Supply is terminating "is the overfunding," he said.

"We're terminating due to the losses we've had for the past three years," Mr. Gillenwater said. "We've had losses in just about all areas of the company, about the only profitable area has been our hospital supply group.

"You see, we're tied to the coal industry," he explained. "Most of the areas we operate in, such as West Virginia, Ohio and Virginia, are all related to the coal industry, which has been really depressed for some time now."

Bluefield plans to replace the terminated plan with a 401(k)-type profit-sharing plan, according to Mr. Gillenwater.

The new profit-sharing plan will receive an employer contribution

Continued on page 45

3-step strategy in buy-out

By Barry B. Burr

FORT WAYNE, Ind. — Central Soya Co. is terminating its pension plans to recapture more than $40 million in surplus assets, selling $200 million in low-rated "junk" bonds and arranging $135 million in bank borrowing to help finance the leveraged buy-out of the company by a group led by Roy E. Disney.

Highly leveraged as a result of the buy-out, Central Soya faces a debt service estimated at $53.1 million and exceeding its $42 million in income from continuing operations before interest and taxes.

Drexel Burnham Lambert Inc. is underwriting Central Soya's issues of $100 million in eight-year senior subordinated notes and $100 million in 12-year subordinated debentures.

The issues are expected to be sold during the first week in September and are expected to carry coupons to yield around 14%.

Moody's Investors Service Inc., New

Continued on page 48

Interest in international index funds is spotlighted in the report on page 31.

INTERNATIONAL SECTION

U S WEST hires 5 for equities

By Fred Williams

DENVER — The $5 billion U S WEST pension fund has completed a $600 million, partial equity restructuring, hiring four active investment managers and one index fund manager.

During July and August, $100 million was transferred to each of the new active managers, said Jim R. Belquist, manager-trust investment management at U S WEST. Another $200 million was moved into an index fund that contains none of the stocks in the Standard & Poor's 500 stock index.

The change coincided with, "but was not due to," the final transfer of pension assets to the seven Bell regional operating companies from American Telephone & Telegraph Co., Mr. Belquist said. AT&T moved about $15.2 billion July 1, of which U S WEST received about $1.6 billion.

The new U S WEST active equity managers are PRIMECAP Management Co., Pasadena, Calif.; Concord Capital Management, San Mateo, Calif.; Trinity Investment Management Corp., Boston; and Brignoli, Curley & Roberts Associates, New York.

Mellon Capital Management, San Francisco, will run the index fund, Mr. Belquist said.

He declined to say whether any existing managers were terminated.

Mr. Belquist said the manager search and selection process was conducted internally. "We have been searching for active equity managers for about three months," he added.

Mr. Belquist said the new equity managers "fit the needs of our fund" and that U S WEST "was looking for styles or strategies that could be implemented by good people."

"We don't look for (market) timers. We look for what the firm's strategy is and how they implement that strategy," he said.

He said Concord capitalizes on themes that "cut across the traditional stock groups" by identifying

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Late news

NFL restructures

NEW YORK — The pension fund for players in the National Football League has terminated what was its sole money manager and has moved to a multiple manager investment approach.

The new team members for the NFL players' Bert Bell Retirement Plan and the type of portfolio each will run are: Provident Capital Management Inc., Philadelphia, equities; Management Assets Corp., Westport, Conn., equities; Trust Company of the West, Los Angeles, equities; Payden & Rygel Investment Counsel, Los Angeles, fixed income; and Alliance Capital Man-

Continued on page 2

Union fund's Walton: visionary or radical

By Joel Chernoff

POMPANO BEACH, Fla. — In February, when a federal judge interrupted a trial to dismiss the Department of Labor's charges against trustees of the Operating Engineers Local 675 Pension Trust, Dennis J. Walton openly wept.

"I didn't realize how much of Dennis Walton was on the line," said the fund's pension counsel, Gerald M. Feder. "The tears could not be held back."

The action, and the subsequent decision, vindicated the trustees' judgment in constructing and financing the elegant new headquarters for the Pompano Beach, Fla., union local of crane and heavy equipment operators, its pension fund and other programs.

The ruling, which is being appealed by the government, also vindicated Mr. Walton, the colorful 44-year-old union local chief and pension board chairman. It also has helped him achieve a new level of credibility.

His mission, he believes, is to ensure the future of the nation's construction and building trades unions.

What's more, the court decision has enabled Mr. Walton to focus on other ways to expand his "pension fund revolution" — from leveraging a small investment into a developer's commitment to use union labor, to promoting direct real estate investment, to calling for a boycott of four major insurance companies, to experimenting with pension fund subsidiaries and employee stock ownership plans.

This newly perceived legitimacy is a radical change from a few years ago, when multiemployer pension

Dennis J. Walton

fund trustees regarded his ideas as wild and dangerous, liable to land them in jail and lose their funds' money.

"He's made the transition from being perceived as a crazy man to being a leader," observed Landon Butler, a former Carter administration aide and now head of a pooled real estate fund.

Dennis Walton's friends and associates say he is a true pioneer and a

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Investing in start-ups, buy-outs

5 join venture partnership

By Trudy Ring

MIDLAND, Mich. — At least five tax-exempt funds have made commitments totaling about $25 million to the MBW Venture Partners Limited Partnership, which closed recently at $73.1 million.

Among its tax-exempt investors are the Michigan State Employees' Retirement Systems, Oregon Public Employees' Retirement System, Allen-Bradley Co.'s pension fund, Lehigh University's endowment fund and Northern Telecom Ltd.'s Canadian pension fund.

The Michigan fund likely is the largest investor, an official there said.

Other investors include banks, insurance companies and corporations, said Richard Goff, general partner of MBW Venture Partners and vice president and treasurer of the parent company, MBW Management Inc. The fund has about 40 limited partners, he said.

The fund will invest primarily in health-care companies, but also will invest in communications and computer software, Mr. Goff said. It will invest in both start-ups and buy-outs, he said.

How fast the money will be invested will depend on market conditions, but it probably will be placed in three or four years, he said. The partnership will be administered from offices in Los Altos, Calif.; Chatham, N.J.; and Midland.

Officials of tax-exempt funds that invested in the partnership said they were attracted by the diversification opportunities of venture capital and the experience of those running the fund. MBW Management also manages the Michigan Investment Fund and Doan Associates. MBW manages about $120 million in venture capital.

The Michigan retirement systems, with $10 billion in assets, put $15 million into the MBW fund, said Michael J. Finn, the state investment bureau's deputy director in charge of venture capital. "We're very bullish on the partnership on the basis of the management team they put together," he said. "I think we are the largest investor."

> *"We're very bullish on the partnership on the basis of the management team they put together."*
>
> — Michael J. Finn

Michigan is among the most active states in venture capital. The retirement systems have $126 million in venture investments, Mr. Finn said.

He thinks the medical/healthcare area is one of the most attractive for venture capital investments. Other growing areas are leveraged buy-outs, industrial technology and biotechnology, he said.

The Michigan systems have made two other new venture commitments recently, Mr. Finn said. They placed $3 million with the Sun Western Venture Capital Fund, Dallas, which will invest in companies in the Southwest, and a $500,000 direct investment in a Detroit company, Semiconductor Reliability Associates.

The $4.4 billion Oregon system's commitment to the MBW fund was one of three its trustees approved recently, said James C. George, investment manager. The system, also very active in venture capital, put $5 million into the MBW partnership.

The other venture commitments approved by the Oregon trustees were $10 million to the Oppenheimer-Palmieri Workout Fund, New York, and $5 million to Morgenthaler Venture Partners, Cleveland (*Pensions & Investment Age*, July 8). With the new investments, the system has about $87 million committed to venture capital.

Milwaukee-based Allen-Bradley,

Continued on page 48

California portfolio earns 36.1% return

By Alan Krauss

SACRAMENTO, Calif. — The $28.8 billion California Public Employees' Retirement System captured a 36.1% total rate of return on investments for the 12 months ended June 30, said Walton Williams, principal investment officer.

That translates to a dollar gain for the year of better than $7.4 billion through capital gains and return on investment, and exclusive of employee contributions.

The portfolio performance for the nation's second largest pension fund, as measured by Wilshire Associates, the fund's consultant, breaks down this way:

- Real estate, 44%.
- Fixed income, 39.7%.
- Equities, 32%.

For the three years ended June 30, the pension fund reported a compound annual return of 24.3%. That included compound annual returns of 24.4% on bonds, 25.8% on equities and 24.7% on real estate.

The one-year performance figures placed the California fund in the Top 2% of 234 fixed-income managers and in the Top 20% of 546 equity managers surveyed by Wilshire, Mr. Williams said.

The three-year returns placed the fixed-income portfolio in the Top 5% of the Wilshire universe and the equity portfolio in the Top 50%.

Mr. Williams said the pension fund's bond portfolio, which had a market value of $14.99 billion as of June 30, has an average maturity of about 17 years.

He said the system has been investing primarily in longer

Continued on page 49

Actuaries warned by suit

By Joel Chernoff

WASHINGTON — The Pension Benefit Guaranty Corp.'s unprecedented lawsuit charging George B. Buck Consulting Actuaries Inc. and one of its actuaries with "actuarial malpractice" may cause consultants to become more conservative in their assumptions.

"There is no doubt that a chill has been sent through the spines of most actuaries because of the unknown" of future regulatory activity, said Gary Pines, a benefits consultant at Towers, Perrin, Forster & Crosby, Chicago.

The PBGC's suit charges the Pittsburgh office of Buck and consultant Michael L. Wheat were "grossly negligent" in computing the funding obligations of Buck client Mesta Machines Co. of Pittsburgh.

Mesta's two pension plans were terminated effective June 16, 1983, leaving the PBGC with an estimated claim of $56 million. Under law, the agency became trustee for the plans, assuming its assets and liabilities.

Mesta settled claims by the PBGC for employer liability against it last year, paying the agency a combination of $1 million in cash and a variety of securities and warrants. The net loss to the PBGC then was adjusted to $37 million.

The PBGC said Buck underestimated the likelihood that Mesta would have to pay shutdown benefits (given to employees who are laid off when a plant closes), which ultimately figured into the liabilities assumed by the PBGC.

Recognizing these benefits have accrued normally leads to increased company contributions.

According to the PBGC, Mesta announced in March 1981 that it tentatively had decided to shut down its West Homestead, Pa., plant permanently. In August, Mesta closed a substantial portion of its operations at that plant, and wrote off $14.5 million in costs associated with the shutdown, including expenses related to pensions and other employee benefits.

On June 30, 1982, Mesta entirely closed its other major facility in New Castle, Pa.

Feb. 9, 1983, Mesta filed for protection from creditors under Chapter 11 of the federal bankruptcy code. Two months later, the company announced it would not reopen the New Castle plant.

The PBGC alleged that Buck, as consultant since before 1979, knew of or should have known of these facts, yet failed to reflect the company's dire condition in its annual valuation of company benefits.

From 1979 through 1983, Buck estimated a probability of less than 1% to 6% that the special early retirement benefits would be triggered, even though the company

Continued on page 45

Late news

Continued from page 1

agement Corp., New York, fixed income.

Bernstein-Macaulay Inc., New York, previously the only manager, was terminated.

Dennis Curran, director of operations for the NFL National Council, would not reveal the amount given to each manager.

James Meketa Associates, Boston, was the consultant for the search.

The plan had assets of $96 million as of March 1983, according to the 1985 Money Market Directory.

N.J. funds divest

TRENTON, N.J. — Gov. Thomas H. Kean has signed a bill requiring state pension funds to divest of all securities in companies doing business in South Africa.

The eight funds handled by the New Jersey Division of Investment have $2.1 billion in stocks in these companies and $675 million in the firms' bonds, said William Mooney, deputy director. Total assets of the funds are about $11.4 billion, he said. The legislation gives the funds three years to divest.

While the legislation was awaiting Mr. Kean's signature, the investment division set a policy tied to the Sullivan Principles and divested $100,000 worth of securities. However, investment officials now will have to abide by the new state law, Mr. Mooney said.

PBGC sets rule

WASHINGTON — The Pension Benefit Guaranty Corp. has issued its long-awaited rule governing arbitration of disputes on the amount of withdrawal liability assessed employers leaving multiemployer plans.

Under 1980 multiemployer pension plan law, an employer can appeal its assessed withdrawal liability from an underfunded plan. If the dispute is not resolved, the parties must resort to arbitration.

Fee negotiations on

NEW YORK — The Equitable Life Assurance Society of the United States reportedly is locked in lengthy fee negotiations over the launching of a proposed international fund of funds that would have three separately managed non-U.S. components.

One portion of the proposed fund would be managed in-house, and two others likely would be managed by specialist international managers.

Reportedly, Schroder Capital Management International is negotiating to manage the European segment and Daiwa International Capital Management Corp., the Far Eastern segment.

Personnel moves

• FORT WORTH, Texas — F. Dickson McElwee has been named vice president and treasurer at American Airlines.

Mr. McElwee will report to Jack Pope, senior vice president-finance, and will be responsible for capital-raising activities, management of capital funds and pension assets and management of foreign exchange, corporate insurance and tax matters.

He had been treasurer at Continental Can Co., Stamford, Conn.

• MINNEAPOLIS — William C. Daniels, senior vice president and head of marketing of Peregrine Capital Management, will retire to pursue a career in the retail garment industry.

Late money movers

• HARTFORD, Conn. — The Hartford Mutual Investment Fund hired Target Investors Inc., Stamford, as an equity manager to handle its $9 million in assets, said Steve Smith, secretary of the fund.

The fund's assets include the general portfolio of nine Connecticut savings banks. Alliance Capital Management Corp. was terminated.

No consultant was used in the search.

• NEW YORK — The Pursers' Trust Plan of Trans World Airlines Inc. has hired GAMCO Investors, Inc., as an equity manager, according to Gary Dilley, manager of pensions and investments for TWA.

Mr. Dilley said the deal was effective Aug. 1, but would not comment on the amount GAMCO will manage or who had previously served as manager. TWA has pension assets totaling $1.8 billion.

Mr. Dilley said the management search was done primarily in-house.

• ST. LOUIS — The pension benefit trust fund of Local No. 1 of the International Brotherhood of Electrical Workers has hired Liberty Capital Management to handle $5 million in government securities, according to Floyd Davis, the fund's administrative manager.

Liberty Capital was hired Aug. 1 as the $75 million fund's first-ever money manager. All assets previously had been managed in-house. No consultant was used, he said.

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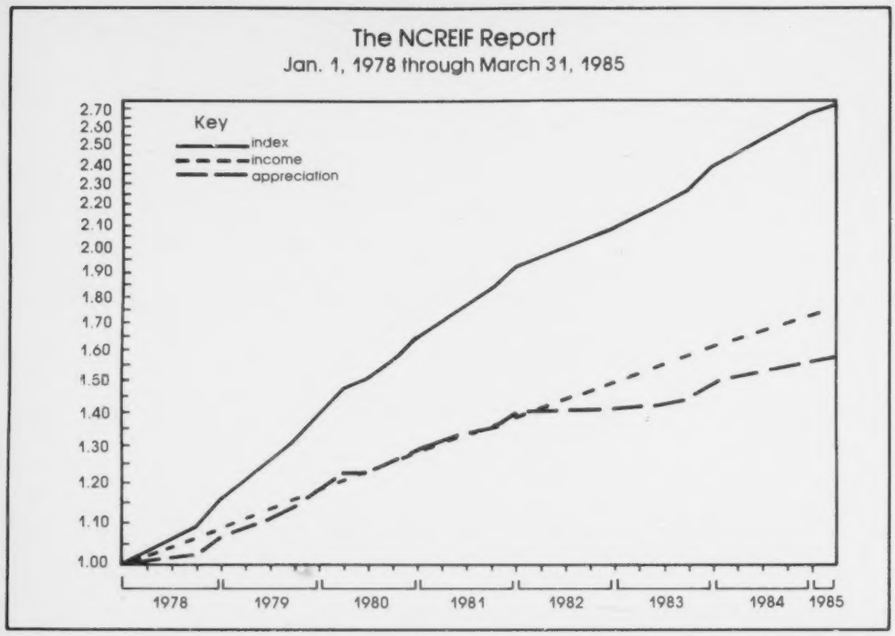
Real Estate



Appreciation stagnates

By Steve Hemmerick

WASHINGTON — The FRC Property Index, which measures returns on more than $8 billion in income-producing properties, showed virtually no appreciation of those properties for the first quarter of this year.

It is the first time no property appreciation has been recorded for a single quarter by the index, which was established in early 1983 but measures the growth in value of properties back to 1978.

Appreciation is one of two measures, the other is income, used in establishing total return on the properties and in setting the value in the index.

The National Council of Real Estate Investment Fiduciaries, composed of 30 managers with about 900 properties, provides the figures used in the index.

NCREIF said the index showed the income component for the first quarter of this year was steady at a 1.7% increase, the fourth time that figure has been recorded in the past seven quarters. The mean quarterly income return is 2%.

Real estate managers have been stressing that real estate does provide steady income, and they have been asking pension managers to look at real estate from the standpoint of income it returns as well as a hedge against inflation.

Income has fallen only slightly from the properties: 7.3% for the 12 months ended in March vs. 7.4% for the previous 12 months. However, the mean income return for the index is 8.1%.

With no appreciation, the index scored its lowest total return — 1.8% — for a first quarter since 1983, when the total return was 1.7%.

No breakdown was available from NCREIF on the locations or property types that have not appreciated or have depreciated.

But real estate managers for several months have reported many individual, but not all, office buildings rising little or actually declining in values in some cities where there is overbuilding, such as Houston and Denver.

The index figure for appreciation, because it is an average for all properties measured, could mask real declines in value of some office buildings and also appreciation of some. Real estate managers and their research organizations have been reporting appreciation in most warehouses, shopping centers and research and development buildings.

Thus, the value of many office buildings might have actually declined for the index to be able to report no appreciation for the properties as a whole.

But Cecil Sears, a director for administrative services for NCREIF, said not too much weight should be given to one quarter's figures. He said NCREIF puts out quarterly figures for convenience, but that real estate should be looked at for the long term.

But the 11.7% return for the year ended March 31 shows a decline from the mean 12-month figure for the index, of 15.4%.

According to Mr. Sears, "There might be some softness in property values. It is hard to see in a quarter."

But he added inflation generally has been lower in the 1980s than it had been in the 1970s, when real estate scored some of its greatest gains.

Some of those increases in the 1970s, he said, could have been "driven by inflation." With today's lower inflation, he added, investors "might have lower increases in market values."

While equity real estate is an inflation hedge, many real estate managers and consultants have been saying inflation isn't needed for real estate to take off again as it did in the late '70s. Several managers have said real estate value is

Continued on page 21

Fund returns 4.8%

Equitable's Real Estate Account No. 8 reported a 4.8% return for the first six months of 1985. The open-end account has $2.8 billion in assets and is managed by Equitable Real Estate Investment Management Inc., New York.

Of the return, 3.4% came from income and 1.4% from appreciation. An Equitable official said the office buildings in its account had an 89% occupancy rate, near the 91% rate for all properties held in the account.

While prices haven't gone up for major properties since the beginning of the year, the prices for many of those properties stand at all-time highs, according to Timothy J. Welch, a senior vice president with Equitable. He said pricing of properties has become more predictable because prices are tied more to real estate economics and less to tax-code savings.

He also said tax syndicators have fled the marketplace, but their absence has had little effect on institutional investment properties because the syndicators focused on properties selling for $10 million and less.

The market for prime office, retail and hotel properties is increasingly dominated by institutional investors with deep financial pockets, Mr. Welch said. As a result, pricing of these properties has been stable. Prices have remained high because institutional investors want to own quality real estate, he said.

But, Mr. Welch said, pension funds and foreign investors have not doubled their investments in real estate as some predicted they would five years ago.

Equitable officials said New York City is still the nation's best market for real estate values.

Wrap-up

Price correction noted

Commercial and residential property prices have undergone some correction in the weaker markets of the country, according to the money management firm of Bailard, Biehl & Kaiser Inc., San Mateo, Calif.

But the firm said in a report that it is waiting for a better defined market bottom before increasing its real estate exposure.

Top funds for year also lead in quarter

By Alan Krauss

Performance figures for commingled real estate equity funds show that, for the most part, those with top returns for the 12 months ended March 31 also turned in strong showings for the final three months of that period.

According to data compiled by Evaluation Associates Inc., Westport, Conn., the top returning open-end pooled fund for the first quarter of 1985 was HT Investors Quadrant One. The $11 million fund, which is managed by the real estate investment department of Rhode Island Hospital Trust National Bank, Providence, had a non-annualized first-quarter return of 9.3%, composed of a 7.3% appreciation component and a 2% income component. (*See listing on page 21.*)

The fund invests in existing properties, including office, industrial and research and development facilities in the Northeast and between $2 million and $5 million in size. Its portfolio mix at the end of the first quarter was 50% office and 50% light industrial. Cash reserves were 31% of assets.

Phoenix Mutual Life Insurance Co.'s Real Estate Separate Account was second in EAI's first-quarter rankings, with an appreciation component of 2.8% and an income component of 2.4% for a total return of 5.2%.

RESA invests in land purchase/leaseback arrangements, as well as existing properties, in the suburbs of 18 major U.S. cities. Property types include office, industrial, warehouse, shopping centers and multitenant residential buildings with condominium conversion potential, and are $2 million to $8 million in size.

The fund had total assets of $99 million at the end of the first quarter. Its 15-property portfolio contained 48% office, 28% industrial, 6% retail and 18% residential properties. Cash reserves were 16%.

The third-ranked pooled fund in the first quarter was NCNB National Bank of North Carolina's NCNB Real Estate Fund, which had a 4.5% non-annualized return containing an appreciation component of 2.8% and an income component of 1.7%.

The fund invests in developmental and existing properties, including office and warehouse facilities, as well as undeveloped land, ranging from $1 million to $8 million. It concentrates its investments in the Southeast.

During the first quarter, the fund purchased one 82-acre industrial development site for $9 million. It sold an office, and two land parcels totaling 63 acres. The properties sold had been appraised most recently at a total of $3.03 million; the three sales brought in $4.4 million.

The fund had total assets of $178 million as of March 31, and it held 41 properties. Its portfolio mix is 14% office, 59% industrial, 27% undeveloped land. Cash reserves were 28% of assets.

In the EAI universe of open-end pooled funds, the first-quarter median return was 9.5%. Funds in the top quartile returned 13.4% or better.

EAI data show the top closed-end fund during the first quarter was Aetna Life and Casualty Co.'s Closed-end Real Estate Separate Account Series I. CERESA Series I brought investors an appreciation return of 5.6% and an income return of 2.3% for a total of 7.9%.

CERESA, which had total assets of $165 million at the end of the first quarter, invests primarily in

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Open-end funds
1-year returns
Periods ended March 31
(Top 50%)

	%
Copley Real Estate	19.6
Phoenix Mutual	19.4
NCNB	17.3
Mutual Benefit Life	16.2
Metropolitan Life RE	15.9
Metropolitan Life Tower	15.7
Citicorp	15.5
Chase Manhattan	15.3
Morgan Guaranty	15.2
First of Minneapolis	14.9
Prudential PRIMOR	14.4
Prudential MORISA	14.1
Bank One Trust Columbus	13.8
CIGNA	13.4
Wachovia Bank	12.5
Prudential PRISA	12.5
First Chicago	12.4
Equitable #8	12.4
Consumer Price Index	13.7

3-year returns

	%
Copley Real Estate	23.8
Morgan Guaranty	19.7
NCNB	18.2
Phoenix Mutual	17.1
Mutual Benefit Life	16.7
Metropolitan Life Tower	16.4
Prudential MORISA	16.0
Prudential PRIMOR	16.0
Metropolitan Life RE	15.4
First of Minneapolis	15.1
CIGNA	14.6
Chemical Bank	13.8
Chase Manhattan	13.7
First of Boston	13.5
InterFirst Dallas	13.1
Equitable #8	13.1
Bank One Trust Columbus	12.5
Consumer Price Index	4.0

Closed-end funds
1-year returns
Periods ended March 31
(All funds)

	%
John Hancock SERA 1	24.8
Sarofim Trust	22.2
Coldwell Banker V	21.7
State Street Bank I	20.6
JMB I	20.4
JMB II	18.2
LaSalle Advisors	15.7
Coldwell Banker II	14.0
RREEF II	12.2
RREEF Midamerica II	12.1
Coldwell Banker VII	11.5
RREEF USA I	11.1
RREEF III	10.8
Coldwell Banker IV	10.5
State Street Bank II	10.4
Coldwell Banker VI	9.7
Coldwell Banker III	9.4
RREEF IV	9.0
RREEF USA II	8.3
RREEF Midamerica I	8.0
RREEF I	7.2
Metropolitan Life I	2.2
Consumer Price Index	3.7

3-year returns

	%
JMB I	17.8
LaSalle Advisors	16.7
Coldwell Banker V	16.0
Coldwell Banker II	15.4
RREEF Midamerica II	14.6
RREEF USA II	13.6
RREEF III	13.0
RREEF II	12.5
RREEF USA I	12.3
Coldwell Banker IV	12.0
Coldwell Banker VI	11.3
RREEF I	11.0
Coldwell Banker III	10.3
RREEF Midamerica I	10.0
RREEF IV	9.1
Consumer Price Index	4.0

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Property Capital sees 7.4% hike in operating earnings

WASHINGTON — Property Capital Trust announced operating earnings for fiscal 1985, ended July 31, of $13,006,000, or $1.53 per share, a 7.4% increase from the previous fiscal year's earnings of $12,115,000, or $1.43 per share.

The trust declared a fourth-quarter dividend of $.39 per share, payable Sept. 16 to owners of record Aug. 31.

Net income for fiscal 1985 dropped 13.1%, however, to $1.53 per share, from $1.76, because there were no gains from sales of assets during fiscal 1985, compared with $2.9 million realized from such sales the previous year.

In a statement, Robert M. Melzer, Property Capital president, noted revenue from the trust's real estate investments increased 31% during fiscal 1985, to $17.9 million; while the surplus during the year increased 22%, to $4.6 million. ■

Evaluation Associates Open-end funds

Quarter ended March 31

(All funds)

	%
HT Investors	42.6
Phoenix Mutual	22.2
NCNB	19.3
First of Minneapolis	18.3
Wachovia Bank	17.6
Morgan Guaranty	16.1
Goldman, Sachs	15.6
Copley Real Estate	14.8
Metropolitan Life RE	13.4
Connecticut Mutual	13.4
Prudential PRISA II	12.1
Connecticut General	11.9
Prudential PRISA	11.7
Security Capital	11.7
Massachusetts Mutual	11.2
MRealty	10.0
Bankers Life	9.5
Chase Manhattan	9.5
Citicorp	9.3
Aetna Life	9.1
Chemical Bank	9.1
Seafirst	9.1
First of Boston	8.7
First Chicago	8.7
Travelers Sep. Acct. R	8.7
Wells Fargo	8.7
MONY #7	8.5
New York Life RE #3	8.2
Bank of America	8.2
Mercantile Trust	7.5
Equitable #8	7.4
InterFirst Dallas	6.5
Metropolitan Life Tower	3.8
Crocker National	2.4
John Hancock	1.2

Closed-end funds

Quarter ended March 31

(All funds)

	%
Aetna Life Series I	35.5
John Hancock SERA 1	26.2
Coldwell Banker V	17.4
State Street Bank I	13.3
Equitable #16	12.6
Coldwell Banker II	12.1
State Street Bank II	10.8
Coldwell Banker VII	9.9
Connecticut General	9.7
McMahon	9.3
RREEF West VI	9.1
TCW I	9.1
TCW II	9.1
Landauer I	8.9
Metropolitan Life I	8.9
Coldwell Banker IV	8.8
RREEF Midamerica IV	8.7
National Life	8.4
Coldwell Banker VI	8.2
RREEF West V	8.2
RREEF Midamerica II	8.2
PMRealty	7.8
RREEF West III	7.8
RREEF West IV	7.8
RREEF Midamerica I	7.8
RREEF Midamerica III	7.8
First Chicago	7.4
JMB I	7.4
Prudential PRACE 1	7.4
Capital Consultants	7.0
LaSalle II	7.0
Lehndorff & Babson	7.0
RREEF West II	7.0
RREEF West I	6.6
RREEF USA III	6.6
JMB II	6.1
RREEF USA I	6.1
Equitec	6.0
Coldwell Banker III	5.7
RREEF USA II	4.9
JMB III	4.9

Building of office space stays high

The office building real estate construction boom is continuing, according to the New York economic consulting firm of A. Gary Shilling & Co. Inc.

According to a report by the firm, the office sector might remain soft for years or "crash practically at any time."

The report stated there even is too much office space in urban areas like Manhattan and Chicago, with Manhattan having office space available to satisfy 9.2 years of demand and Chicago, 3.8 years.

It estimated pension fund and other money managers increased their holdings in equity real estate by 25%, to 5% from 4%, between January 1984 and January 1985.

Copley sets offering

BOSTON — Copley Real Estate Advisors has announced an initial public offering of 4 million common shares in Copley Properties Inc., a new real estate investment trust, at $20 per share.

The offering is expected to net $74 million for the new venture, which will invest primarily in development properties, according to Joe O'Connor, a Copley principal. The REIT's first four projects, which will be fully funded by the stock sale, are slated to be multiphased light industrial/research and development facilities.

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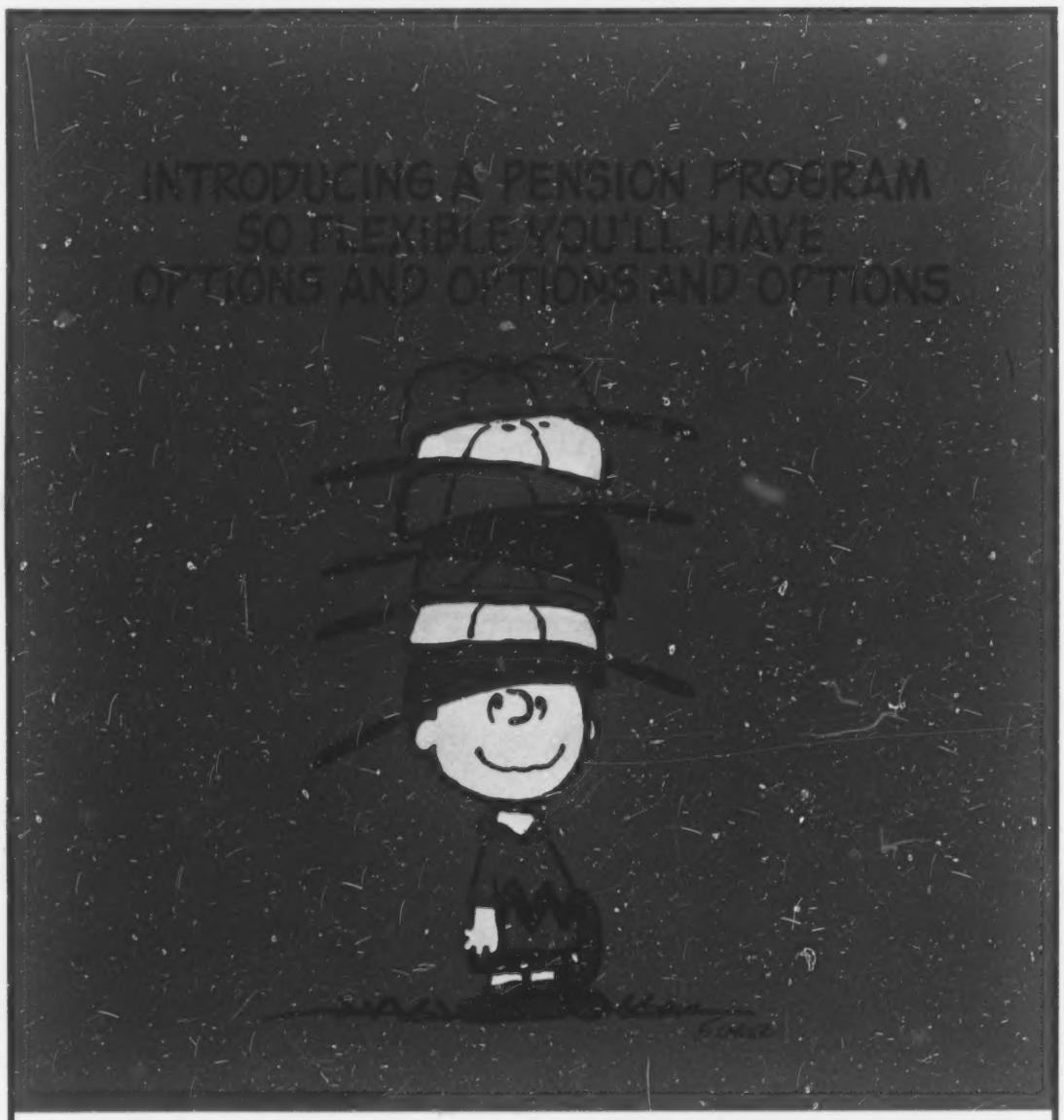

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